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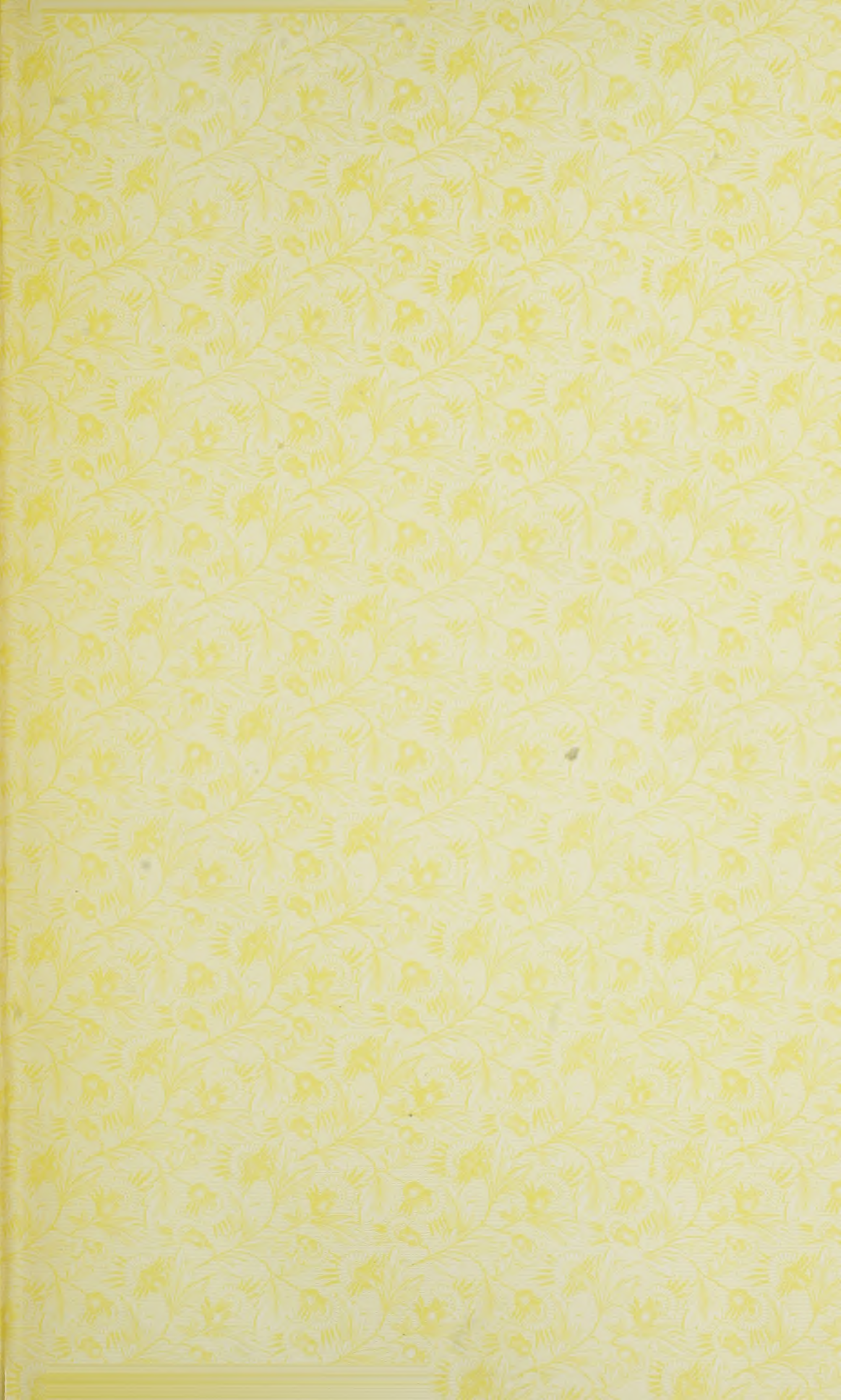

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SESSION 1931

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

FRIDAY, JUNE 5, 1931

WITNESS:

Sir Henry W. Thornton, K.B.E., President of the Canadian National Railways.

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1931

MEMBERS OF THE COMMITTEE

Hon. James Dew Chaplin, *Chairman*

and Messieurs

Beaubien,
Bell *(St. Antoine),*
Bothwell,
Cantley,
Duff,
Euler,
Fiset *(Sir Eugène),*
Fraser *(Cariboo),*
Geary,
Gobeil,
Gray,
Hanbury,
Hanson *(York-Sunbury),*
Heaps,
Kennedy *(Peace River),*
McGibbon,
MacMillan *(Saskatoon),*
Manion,
Power,
Rogers,
Stewart *(Lethbridge).*

JOHN T. DUN,
Clerk of the Committee.

ORDER OF REFERENCE

House of Commons,
Thursday, May 14, 1931.

Resolved,—That Standing Order 63 of the House of Commons, relating to the appointment of the Select Standing Committees of the House, be amended by adding to the Select Standing Committees of the House for the present session a Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, to which will be referred the accounts and the estimates of the Canadian National Railways and the Canadian Government Merchant Marine for the present session, for consideration and report to the House.

Provided, however, that nothing in this resolution shall be construed to curtail in any way the full right of discussion in Committee of Supply, and that the said Committee consist of Messrs. Beaubien, Bell (*St. Antoine*), Bothwell, Cantley, Chaplin, Duff, Euler, Fiset (Sir Eugène), Fraser (*Cariboo*), Geary, Gobeil, Gray, Hanbury, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Manion, Power, Rogers, Stewart (*Lethbridge*).

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

Friday, June 5, 1931.

Ordered,—That the said Committee be given leave to sit while the House is sitting.

That 500 copies of proceedings and evidence which may be taken by the said Committee be printed from day to day, as required, and that Standing Order 64 be suspended in relation thereto.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORTS OF THE COMMITTEE

First Report

Friday, June 5, 1931.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government beg leave to present the following as a

First Report

Your Committee recommend:—

1. That your Committee be given leave to sit while the House is sitting.
2. That 500 copies of proceedings and evidence which may be taken by your Committee be printed from day to day, as required, and that Standing Order No. 64 be suspended in relation thereto.

All of which is respectfully submitted.

J. D. CHAPLIN,
Chairman.

Concured in by the House, June 5, 1931.

MINUTES OF PROCEEDINGS

FRIDAY, June 5, 1931.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government met at 10.45 a.m.

Members present:—Messrs. Beaubien, Bell (*St. Antoine*), Bothwell, Cantley, Chaplin, Euler, Fiset (Sir Eugène), Fraser (*Cariboo*), Geary, Gobeil, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), MacMillan (*Saskatoon*), Manion, Power, Rogers, Stewart (*Lethbridge*).

On motion of Mr. Hanson (*York-Sunbury*), Mr. Chaplin was elected Chairman.

Mr. Chaplin took the Chair.

On motion of Mr. Hanson (*York-Sunbury*),—

Resolved,—That permission be sought from the House to sit while the House is sitting, and to print 500 copies of proceedings and evidence which may be taken.

Mr. Power submitted copies of questions respecting the Canadian National Railways that have been placed on the Order Paper of the House by Mr. Pouliot, and enquired if replies thereto could be furnished to this Committee by the officials of the Canadian National Railways. Discussion followed as to the advisability of adopting this procedure.

The Chairman suggested that an Agenda should be prepared for each day's sitting.

Sir Henry W. Thornton, K.B.E., President of the Canadian National Railways, made a statement respecting the operations of last year, and contrasted conditions then with those obtaining in previous years. At the conclusion of his address, Sir Henry answered questions.

The Committee adjourned until Tuesday, June 9, at 11 a.m.

JOHN T. DUN,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons, Room 231,

Friday, June 5, 1931.

The Select Standing Committee on Railways and Shipping met at 10.45 a.m.

On the motion of Mr. Hanson, seconded by Mr. Cantley, Hon. J. D. Chaplin was elected Chairman of the Committee.

The Chairman: Gentlemen, it has been usual in this Committee on the opening day to have the President of the Canadian National Railways make certain explanations to you regarding the business of the previous year. There has been no agenda prepared. I expect, however, that at our next meeting we will have such agenda. It is my view, at least, that we should prepare an agenda based to a certain extent upon questions that may be asked or that may come up, so that we will know ahead just what business will come before the Committee. I will also make this suggestion now, and it is for the Committee to decide, that next week we should start about Tuesday and have continuous meetings for three or four days. The officials of the railway are here, and while they are here they cannot be anywhere else, and we should make as much progress as possible. The meetings are in your hands, however; I do not want to dictate to you.

Sir Eugene Fiset: Before we proceed I would like to ask if it is possible for the officials of the Canadian National Railways, conforming with the decision that was arrived at when this Committee sat about a year ago, to give us all the pamphlets that are issued when the different parts of the report are being considered. These pamphlets should be advanced in order to give the members of the Committee a chance to study them before coming here. The only report that we have up to the present time is the analysis of the operating expenses as compared with 1929. We have not got the estimate of financial requirements for 1929. We haven't got the estimates of the eastern lines either. If there is any possible way for these matters to be submitted to us in advance and so give us a chance to study them before the report is considered, I think that will be very helpful.

Hon. Mr. Manion: May I say that the railway management has supplied the department with these necessary pamphlets. The analysis which you already have was distributed on my instructions yesterday. These pamphlets should have been out a day or two sooner, but we did not decide upon to-day as a meeting day until there was too little time left to get them out sooner. Regarding the pamphlets dealing with this coming year's expenditures, we have them; but the Bills before the House have only passed the first reading, and until they pass the second reading they cannot be referred to this Committee, and it would be hardly fair to distribute the pamphlets until these Bills pass the second reading. If the budget debate should go on as it usually does for some days, before these Bills are reached quite a time may pass before we can get at the estimate for the coming year.

Sir Eugene Fiset: May I call attention to a very queer thing. The Minister of Finance has introduced his resolution on which the Bill itself is based. The resolution has not been dealt with by the House up to the present time. It has not been approved by the House, and still the Bill has been introduced.

Hon. Mr. MANION: No. You are wrong. There are two Bills. I am introducing a Bill as Minister of Railways permitting sale of securities for sixty-eight and a half million dollars, covering the needs of the railway. Mr. Bennett, as Minister of Finance, is introducing a second Bill to give the government power to guarantee the securities issued by the railways. These are two wholly distinct Bills.

Sir EUGENE FISET: It was introduced by resolution. Should you not have given the House notice?

Hon. Mr. MANION: It was done in accordance with the regulations of the House. It is not necessary in the case, I am instructed by the officers of the House.

Sir EUGENE FISET: I am asking for information.

Hon. Mr. MANION: Mr. Bennett's Bill was introduced by resolution, and his resolution has been advanced one stage. His Bill is the guaranteeing Bill; mine introduces the appropriation necessary for this railway. As soon as these Bills are advanced to the proper stage, the members will get the pamphlets.

Sir EUGENE FISET: The resolution introduced by the Minister of Finance is for exactly the amount of sixty-eight million dollars.

Hon. Mr. MANION: His is to guarantee the securities issued by the railway.

Sir EUGENE FISET: So does your Bill.

Mr. HANSON: One of the most important features of this inquiry will be the budget for 1931 to which reference has been made. It seems to me that it would be very unfortunate if there is a delay in bringing that down, and I would suggest that the matter be looked into, and, if possible, have the Minister's resolution advanced a stage in order that that may be realized. I quite understand that you do not want to do that until the Bill has had its second reading.

Hon. Mr. MANION: That is the only way it can be done. It cannot be referred to this Committee until it has had a second reading.

Mr. HEAPS: Might that not be arranged in the House?

Hon. Mr. MANION: Yes. The Bills were introduced just a couple of days ago. I will endeavour to have that done.

Mr. HANSON: Is there a rule against releasing until the Bill has had its second reading?

Hon. Mr. MANION: No, but the Bill must have a second reading.

Mr. POWER: It should be possible, by consent of the House, to advance the Bill.

Hon. Mr. MANION: I think we will probably be able to arrange that.

Sir EUGÈNE FISET: I understood the Minister to say that the resolution introduced by the Minister of Finance amounted to sixty-eight million dollars. Is that also to be submitted to this committee for perusal as well as the Bill introduced by the Minister of Railways?

Hon. Mr. MANION: No. The Bill introduced by the Minister of Finance is to give the government power to guarantee the securities. My Bill is a Bill to give the railway power to borrow the moneys; but the railway cannot borrow the moneys without guarantees; therefore the government is introducing a Bill to guarantee the securities.

Sir EUGÈNE FISET: The procedure of last year and this year is absolutely different from anything we have seen in the past. First of all, last year the resolution introducing the Bill—not the Bill but the estimate—was discussed in the House and the matter was brought down in the form of an estimate which is really a Bill. This year the Minister of Finance has introduced a resolution asking Parliament simply to sanction the power, I suppose, to borrow sixty-eight million dollars, in order to meet the requirements of the fiscal year of 1931. On the other hand, the Minister of Railways, without any resolution, introduces a Bill which has been read the first time. Now, what I want to know is this: when the resolution introduced by the Minister of Finance is before the House—in view of the fact that we have before us the Bill which has already been distributed after its first reading—shall we have the right to discuss it when the resolution is discussed in the House of Commons, the contents of your Bill?

Hon. Mr. Manion: Yes, just as in the case of any other Bill.

Sir Eugène Fiset: Oh, no, Mr. Minister. When the Bill is introduced on the first reading usually it is moved that the Speaker leaves the Chair, and that the House resolve itself into a Committee of Ways and Means.

Hon. Mr. Manion: Second reading.

Sir Eugène Fiset: Second reading. When we have a Deputy Speaker who always ties us down to the paragraph of the Bill we are considering, what I want to know is this: when the resolution introduced by the Finance Minister is introduced, when we have the Bill introduced by the Minister of Railways covering the same amount of sixty-eight million dollars, shall we have the right to discuss the general provisions of that Bill on that resolution?

Hon. Mr. Manion: There will be no reason in the world why you should not do so if you want to, but it would not probably be advisable. It is only a difference in form. It is the same as last year. There is a difference in records. When this Bill of mine passes the proper stage it will be referred to this committee and discussion will largely take place in this committee. Then this committee discusses the resolution and debates the Bill; it goes back to the House, and, generally speaking, that is when the discussion will take place. There is no reason in the world, if somebody wants to discuss it, why he could not. That is in the hands of the House. May I point out that while we are arguing about these pamphlets, up to this year members of the committee never had the pamphlets until the date of the meeting, so that the committee is going to get the pamphlets earlier this year than in the past. We are only arguing about technicalities.

Sir Eugène Fiset: I am not sure if the way you have introduced your Bill is right. If you have to introduce a resolution on which that Bill will be based—

Hon. Mr. Manion: Mine is not a money Bill. My Bill is to give the railway the right to borrow money. We are not raising the money; we are giving the railway the right to sell securities. Mr. Bennett's Bill is a Bill to guarantee those securities.

Mr. Power: May I ask this? I understand that Mr. Bennett has introduced a resolution on which a Bill will be based afterwards. At the same time we are having referred to us sixty-eight million dollars of estimates.

Hon. Mr. Manion: Yes, ultimately, but not at the moment.

Mr. Power: But not before the resolution and Mr. Bennett's Bill are discussed in the House I assume. What would happen if this committee decided that we should have more or less than the sixty-eight million dollars; that the amount should be seventy-five million or fifty million dollars? What would be the use of Mr. Bennett's Bill to authorize the government to guarantee sixty-eight million dollars?

Hon. Mr. Manion: Mr. Bennett's Bill is going to be referred to this committee, and this committee could recommend that the Bill be modified.

Mr. Power: I understand that both Bills will be referred to this committee?

Hon. Mr. Manion: Yes.

Mr. Power: There is certain information which I have been asked to secure by members of the House, Mr. Pouliot amongst others. If I were to hand in some of these questions to the Chairman would he see that they are handed to the proper officers of the Canadian National railways in order that they may receive replies as soon as possible? And if the railway has any objection to answering any of these questions I will be very glad if the officials let us know at the earliest possible moment just what their objections are, and why they cannot answer the questions. Some of them, may perhaps, be of such a character as to involve considerable labour. I do not want to be unreasonable, and if that is pointed out to us we will proceed accordingly.

The Chairman: I might say to the members of the committee that as far as I am concerned—and I think I can speak for the committee—we invite such questions as these. We can prepare them and put them on the agenda form, so that everybody will know what is going on. .

Mr. Heaps: What questions are these?

Mr. Power: These are questions placed upon the order paper of the House. Under ordinary circumstances, as members well know, when we are discussing estimates, members usually insist that the orders which they asked for are brought down before the estimates are discussed.

The Chairman: Besides, any member has a right to ask any question he sees fit. It does not follow that all questions are going to be answered, but a reason will be given why they are not answered.

Mr. Heaps: I have no objection, but I want to know if there is going to be a duplication of effort.

Mr. Power: It does not make any difference whether they are passed by the House or not, they are all questions of members to the officers of the Canadian National Railways—or nearly all. The officers are here. Even if they do pass the House, they will be asked to find the information, so they might just as well be asked here, and have them passed on from the department.

Mr. Heaps: If a member asked the House for information and is going to get the answers through the House, he should not attempt to get the answers here.

Mr. Power: No, no. I think Mr. Heaps has entirely misconceived the object of this committee. This is a committee on estimates. First of all, it is on the expenditure, and then it is on the estimates. In the House, whenever we discuss estimates a man could say, "we do not want to go on with those estimates unless the Minister brings down information." I am not putting myself in that position, but I say that before we can discuss certain items we want information. This is a committee on estimates which replaces the committee of the whole House.

Mr. Heaps: Some of those questions asked in the House were turned down because of the nature of the correspondence asked for. I do not know whether these are the same questions.

Hon. Mr. Manion: They came to me. Most of these questions were passed as an order for return, but in the case of some questions I made the statement in the House that I was advised through my deputy that the replies would take weeks of work on the part of officers of the railway. Some of them came up two or three days ago and the answers are not ready. These are matters that will be dealt with by return and so on; but if the members of this committee want to ask some questions in this committee, it is up to the officers to answer them if they can.

Mr. Power: The difficulty which we meet with in the House when we place questions on the order paper or ask for returns is that it is impossible to discuss them. These things are not debatable. Now, here in committee if any of the officers of the railway come and say "such a question is of a kind which involves so much labour that you cannot reasonably ask us to reply to it, but if you care to amend it we will give you this information"—it is something that can be discussed without falling foul of the Speaker that I am asking for.

Hon. Mr. **Manion**: That is all right.

Mr. **Power**: These questions will be on the order paper.

Hon. Mr. **Manion**: Those questions are on the order paper.

Mr. **Power**: I will read them into the record.

Hon. Mr. **Manion**: I say this with all due respect. Surely we are not going —I say this without any disrespect to my friend Mr. Pouliot —surely we are not going to take up the time of this committee to again deal with the Riviere du Loup Station. Surely we have bigger questions to deal with than that.

Mr. **Power**: There are some matters of more importance than the Riviere du Loup Station.

Sir **Eugene Fiset**: If the Canadian National officers answer some of these questions, when the answer is brought down, the answer and question should be put on the records.

Hon. Mr. **Manion**: The answer will be in the House of Commons. Do you want it repeated?

Mr. **Bell** (*St. Antoine*): Could not Mr. Pouliot ask his questions when we are discussing the particular item?

Mr. **Pouliot**: I am not a member of the committee; but my name has been mentioned by Mr. Bell, and I would like to say that these questions are not put here in order to make more trouble; they are to simplify matters. The Hon Minister of Railways is acting as a link between the Canadian National Railways and the House of Commons. He has said so repeatedly in the House of Commons. Now, here is a committee on Railways and Shipping in which matters pertaining to the Canadian National Railways are discussed with the officers of the committee. I could simply come here and ask the officers of the railway to answer a question, but my only reason for coming here to-day is to simplify matters, and I will be ready to drop any motion for order for return or any question that has been put in the House. I have something else to say. Some questions are long questions and some are short. Some questions might be answered by yes or no, and I think those answers could be made without any trouble either to the railway or the Minister of Railways or to his department.

Hon. Mr. **Manion**: I am going to say one word. These questions have been asked on the order paper of the House of Commons; why repeat them in this committee? It seems to me they will be dealt with in the ordinary way.

Mr. **Pouliot**: It is to simplify the information and to save my hon. friend the trouble of giving the answers in the House. They will be given direct to the committee by the officers of the railway, and my hon. friend will not have to give them to the House. This is to save trouble.

Mr. **Hanson**: The House cannot lose jurisdiction; they have been passed in the House.

Mr. **Pouliot**: Will you be kind enough to put those questions in the report of the committee, or will I have the privilege of asking them?

Sir **Henry Thornton**: I cannot answer that. I have no status here.

The **Chairman**: There will be no questions at the present time to ask Sir Henry Thornton. He is making a statement to us. When he gets through with that statement you can ask questions and not before.

Sir **Henry Thornton**: Mr. Chairman and gentlemen of the committee, you have before you the annual report of the Canadian National railways for the last year, and you have certain information that has been circulated which enlarges upon the data revealed in the report. With your permission I should like to make a general statement relating to the expenditures of last year, and the capital budget which has been presented through the Minister for the requirements for this year. In order to provide a proper background for the discussion of those votes which relate to last year from the expense point of view, and also with respect to capital, it may be necessary to go a little way back into the past and explain certain conditions which surrounded the Canadian National system. As you will observe from the annual report, the gross revenue for 1930 was approximately $222,000,000, and with your permission I shall use round figures rather than go into dollars and cents. That represented a decrease of $46,000,000 as compared with 1929. But what is also interesting and important to the members is that the gross revenues of the company for 1930 represented $63,000,000 less than 1928. In other words, in two years the railway company suffered a reduction of the very large sum of $63,000,000. That was a condition which was not peculiar to the Canadian National railways; it more or less affected all of the large railway systems on the North American Continent and a great many enterprises engaged in other activities. The problem which confronted the management was to adjust itself to those rapidly falling revenues. Now, it is not an easy thing to adjust so large an enterprise, so widely flung as the Canadian National railways, to changes and depressions which come with almost apalling rapidity, and which, at the same time, are found from coast to coast. Commencing, however, with the spring of 1929, it became evident to the management that we were embarking upon and were confronted with a period of depression. At that time, neither the administration of the railway nor, as far as I have been able to discover, any other administration nor any other enterprise realized or thought that the depression would proceed with such rapidity or to such an extent. But as the character of the depression became recognized, the railway administration progressively applied increased pressure looking towards a reduction in expenses, and an increase in economy. Last year the efforts in the reduction of expenses were reflected in a reduction of $20,000,000.

Mr. Hanson: According to this statement it is $26,000,000.

Sir Henry Thornton: Thank you. I was looking at the wrong figures. It is practically $26,000,000. It is rather interesting to observe that of that amount $12,000,000, or approximately half, was saved in transportation expenses. Now, it is easily recognizable that a dollar saved in maintenance of way and maintenance of equipment may not be entirely a dollar saved. It may be that all or it may be that a proportion of that dollar, or perhaps more than that dollar may have to be spent in subsequent years to catch up with deferred maintenance both in respect of roadway and equipment. But a dollar saved in transportation expenses is really a dollar saved. It never has to be made up again. It is a pure saving. Commencing with the spring of 1929 as I explained to this committee when it met last year, a budget system was inaugurated, and under the operation of that system we have endeavoured to ration the expenses of the company, so far as they were controllable, month by month. During the latter part of each month, about the 25th of the month, an estimate is made up of the probable gross revenue for the following month, and expenses are adjusted accordingly. There are, of course, certain expenses which are uncontrollable. There is a minimum beyond which it is impossible to pass. For example, it may be possible to make certain reductions in passenger trains and mileage, but in order to preserve continuity of service and egress and exit from communities, a certain number of passenger trains must be run. You can reduce passenger mileage to a certain extent, but it cannot be entirely eliminated. You may be able to reduce the clerical staff at a station, but you eventually get to the point where there is no one left but the station agent. He has got to be continued if the station is to be kept up, and in most cases the station must be kept open. It may be possible to reduce a section gang from six men to four men or three men or two men, but there always must be on each section a foreman and one, two or three men in order to patrol the track and maintain safety. In other words, what I mean to say, Mr. Chairman, is this: that in handling the expenses of a railway corporation you eventually get down to a point beyond which circumstances preclude any further reduction, and as the pressure became more and more severe during the last year, and also this year, the railway administration has been reducing its expenses as rapidly as the safety to traffic and reasonable preservation would permit. We are not done. Very substantial progress has been made. We are by no means finished. In that sense, nothing on a railway is ever finished, because no matter how well you may be doing there is always a litte something more that can be done. But the situation with respect to expenses has engaged the anxious attention of all the officers of the company, both those at headquarters and outside, and in examining the reports in this budget and the meetings which I referred to and which I held about the 25th of each month, it is rather fine to observe that the officers themselves are in a psychological condition of mind which results in an effort to vie with each other in saving money rather than to bring forward recommendations for the purpose of spending money. If you will permit me to say it, I think you will observe the truth of that statement. A railway is to a very considerable extent a state of mind. It must be a state of mind because for every unit of output it probably employs more men than any other form of industrial activity. It is widely flung; most of its operations are not under the continuous eye of a headquarters' management. The Vice President, myself, or others of the headquarters' staff in Montreal have at no given moment any idea of what is happening at Toronto, Winnipeg, Calgary or Vancouver, or at the thousands of stations and shops included in our system. That has got to be left to those who are on the ground to faithfully and conscientiously carry out their work, and to execute the policies of the administration. In that respect a railway company is different from a manufacturing plant which generally is under the eye of the managing director or the superintendent who can walk about the plant in anywhere from twenty minutes to two or three hours, depending upon its magnitude. Within fourteen or fifteen minutes he can have all his foremen and departmental superintendents in his office. They respond quickly and immediately to the policies of the administration. With a railway, however, as I have explained, we must leave very much to the desire and intent of the officers and men to carry out the policies of the company. Therefore, a railway company in its operation is more than almost any other form of industrial activity very largely a state of mind, and the formation of these budget committees on the different regions, with the constant pressure of this committee presided over by the regional general manager to revise expenses, has produced a state of mind all over the system which has for its object the inculcation of the desire in every man down to the lowest section man to find pride in saving money which, of course, is the result of the times in which we live.

The management has been zealous and ardent in its efforts to produce that situation and that condition, and it is a matter of intense gratification to us, and it must be to you also, that all officers and men have in a very fine way responded to that spirit which grows on it through pride in the organization.

Now, during the whole of last year and this year we pursued constantly every avenue which offered for the reduction of expenditures and for the saving of money. Of course, that necessarily involves a certain amount of technical knowledge. It requires a technician to say how much money can be saved by reduction in track forces as compared with the condition of the track that results therefrom. Consideration must be given to the speed, to the weights and to the density of traffic in determining the standard of maintenance which is to be inaugurated and sustained. The same factors are apparent and enter into the problem of the maintenance of locomotives, rolling stock and all those things which represent the physical aspect of the property. It is not a simple thing to do. It is a thing which involves experience and technical knowledge. And we have brought to bear the best intelligence from our officers that could be mustered for the purpose of saving money, without, at the same time, establishing such a debt for the future in deferred maintenance which would result in serious liability. As I have pointed out, the reduction in expenses has been nearly fifty per cent in transportation, and I think that represents a fairly good showing. Just in passing, it is only fair to say that the question is often asked "how long is the present depression to continue?"

Mr. HANSON: If you can answer that question, Sir Henry, we will give you a bonus.

Sir HENRY THORNTON: I can give you a formula, and that is this: that the accuracy of the prophecy varies inversely with the experience and importance of the prophet. In short, what I mean to say is this, that the more one knows about it, or, at least, the more one is suspected of knowing, the more unreliable becomes the prophecy. I can say that there are certain signs that we have reached the bottom, and there are certain signs which point to improvement. For example, if you will take the automobile business, which is a fairly good yardstick measure of how the public feel with regard to expenditures in their financial position, we find that in Michigan there has been a substantial increase in cars loaded with automobiles for the last thirty days. In short, the automobile business is looking up compared with the corresponding month last year. We believe that stocks are reaching the irreducible minimum, and there are certain signs that purchasing is commencing once more.

Now, I do not mean that it should be inferred from that that happy days are here again and that we are off to the races, or anything of that sort; but certainly times look rather better than they were. There is still the necessity for rigid economy and great prudence, not only in our operations, but, I take it, in the operations of all industrial activities. Now, gentlemen, that briefly represents the situation in so far as our general revenues and expenses were concerned last year. I would like to say too if I may, with respect to the capital budget which has been presented in connection with expenses, if I may go back to that for a moment, you will need to go over each item of those expenses, and you have in your hand a fairly detailed statement of just what has happened, what the decreases were, what the reasons were for those decreases, and those will be dealt with in detail as the work of the committee goes along. For this year we have reduced our budget which is to say capital requirements, under instructions from the government—let me say, I think quite rightly so—to the irreducible minimum. We have asked for only those things which we felt the welfare of the property demanded, and which the government, through the Minister of Railways, felt were things that we should ask for. The attitude of the government for this year, and which found, if I may say, a ready response in the railway administration, was one of extreme vigilance and utmost economy, and we have endeavoured to co-operate with the government in that respect, and the budget as it is presented represents a budget, which, so far as railway officers are concerned, we believe to be, under all the circumstances, a sound budget. The amount which was asked for in additions and betterments represents the sum of $20,000,000.

Mr. HANSON: Is that contained in any of these pamphlets?

Hon. Mr. **MANION**: Generally speaking, I do not think the discussion should go on that item. I think Sir Henry might go ahead and finish his statement.

Sir **HENRY THORNTON**: I have very little further to say. Perhaps I can close that aspect by saying that, in so far as additions to capital are concerned, which grow out of what are called additions and betterments to the property, it represents an amount which, if my memory serves me, is much less than any amount we have asked for, for many years.

Mr. **MCLAREN**: Yes.

Sir **HENRY THORNTON**: In other words, I may tell you in order that you may understand, that we have kept our budget down to the lowest possible minimum. Now, when you come to consider—

Sir **EUGÈNE FISET**: On that point, will you explain which of the particular amounts provided in the Bill are for betterments? Speaking from memory the amounts are $30,000,000, $9,000,000 and $27,000,000.

Sir **HENRY THORNTON**: About $30,000,000 I think. Dr. Manion says that the $20,000,000 are for additions and betterments, and $30,000,000 for betterments.

SIR EUGENE FISET: $27,000,000?

Sir **HENRY THORNTON**: It is approximately $20,000,000. Now, to get the right perspective with respect to expenses of the company for this year, and also its capital requirements, it is necessary to look back a little over the past just to see what the situation was which confronted the railway administration on January 1st, 1922, both as to expenses and as to capital requirements, because what has happened as to the condition of the property at that time and the condition of the property to-day has a very material effect on what we are able to do in the year 1931, and I do not think that the railway administration has ever had an opportunity, or, at least, has never embraced an opportunity to explain certain matters which this Committee, I think, ought to be cognizant of if it is to get the right point of view, or, at least, to have before it all of the necessary information to reach correct decisions. Let me say now in connection with anything that follows both as to expenses and as to capital, that regard must be had for the period of the war and the immediate years which followed the war. The war, of course, put a very definite restriction upon capital expenditures for transportation purposes in Canada, not only with regard to our own railway but also with regard to the Canadian Pacific. It also resulted in certain restrictions with respect to moneys charged to expenses. However that might be, what we are interested in and what this present administration is interested in is the situation which confronted its management—and when I use the word management I do not mean myself—I mean those who represented the executive authority of the railway, including our vice-presidents—the situation which confronted them in January, 1922, as far as the Grand Trunk railway system was concerned—and we will have to consider the two principal constituent companies of what is now known as the Canadian National railway system—as far as the Grand Trunk Railway system is concerned, there was a very heavy accumulation of deferred maintenance both as to roadway and as to equipment, and generally, the physical condition of that property was such—and I make no bones in saying this—that the property had been definitely allowed to deteriorate much more than the exigencies of the war required, during the days of private Grand Trunk administration.

Mr. **GEARY**: Had been or has been?

Sir **HENRY THORNTON**: Had been. There was a greater desire on the part of the administration of that property when in private hands to pays dividends than to maintain the property. There were too few automatic signals, which are essential for the safe and expeditious movement of traffic. The rail for the speed and weight of the traffic was light. There was little or no stone ballast. There were inadequate yards for the economical handling of freight, and an inadequate passenger service. There were a number of antiquated stations, and we still have several left with us. The station at London, Ont., which rejoices in eight decades of history is eighty years old. The station at Hamilton which has now happily been rebuilt was approximately of the same age. Generally speaking, the whole station situation on the line of the old Grand Trunk railway had been allowed to run down very considerably at the heels. The Toronto Terminal had been built but was not in use. It had been lying fallow some distance away from the main line. One of the responsibilities which both the Canadian Pacific and ourselves had to face was to build an elevated structure to reach that station and get it in operation. No effort at all had been made to solve the Montreal grade crossing situation west of Bonaventure station, and no effort was made to solve the problem of the Montreal Terminal station by the Grand Trunk railway company, although that company had been existence in Montreal for many decades, perhaps fifty or more years. The shops were both inadequately equipped, improperly built and antiquated. One of our obligations was to scrap practically the whole of the Point St. Charles shops, and build new buildings for the economical handling of shop work. There was a poverty of sidings and freight handling facilities all over the railway, and as a result of all that there had been a general depreciation of service rendered to the public. That was the situation as far as the Grand Trunk railway was concerned, although that had been a railway which had been in existence for perhaps fifty or more years, the first railway built in Canada.

When we come down to the Canadian Northern, this railway was found to be in a generally unfinished condition. Now, Mr. Chairman, a railway is something more than ties, rails, an embankment or a cut; a lot more things are involved. We found that the cuts in many cases were narrow and badly drained, expensive of maintenance. The embankments were narrow, too narrow to hold the ballast which either ran away when it was dumped or it was washed away. In many cases the rail was light. We had many miles of wooden trestle bridges which were rapidly reaching a stage which necessitated renewal, because they had all been built more or less at the same time. I remember in one of the earlier meetings of this committee, Sir Henry Drayton called attention and expressed great anxiety with respect to the wooden trestle mileage which we had on our western lines. He wanted to know what steps we were taking to renew these bridges, and build permanent structures. We had about forty thousand all wooden freight cars which were rapidly reaching a position which in a short time would preclude their use in the interchange traffic with other railways. One of our problems was to rnew those box cars, and the amount of money which was spent on box cars was determined—not by what we ought to have done or what we would like to have done, but by the amount of money that was available, and that still continues to be one of our problems.

Mr. HEAPS: How many wooden box cars are left?

Sir HENRY THORNTON: About 5,000.

Hon. Mr. EULER: What becomes of the old ones?

Sir HENRY THORNTON: Some are scrapped, and the better ones are equipped with metal draft arms, but we materially reduced the number of those cars. But that is still a problem.

Hon. Mr. EULER: They will be written off.

Sir HENRY THORNTON: Eventually. Now, we are generally dealing with the situation which confronted the railway. We were at a disadvantage—and when I say we I again refer to the officers, the vice-presidents and myself—we had to decide what we were going to do with such a situation. Business was improving, things were looking good, and it was our judgment that unless the whole situation was taken vigorously in hand we would soon find that we had not only a second class railway but we might be confronted with a railway which would be quite inadequate to perform its transportation responsibilities to the public. Therefore, we proceeded to improve the property, partly by increased charges to expenses and partly by additions to capital.

Now, just in that connection I might say that the amount expended on capital account, net capital increase during the first eight years, amounts to approximately $400,000,000.

Mr. Hanson: That would be to the end of the last fiscal year?

Sir Henry Thornton: Yes, that is right.

Hon. Mr. Manion: Do you mean the fiscal year or the calendar year?

Sir Henry Thornton: I am talking of our fiscal year. Of course, capital expenditures on a railway never cease. They are just like the income tax; they go on forever, and no matter how perfect the condition of a railway may be there will always be a certain number of capital expenditures. Happily in our case I feel—and I am not alone in this statement—that we have got behind most of our major capital expenditures. That is to say, we have brought the railway to a reasonable degree of efficiency, and unless something very unforeseen takes place the trend of capital expenditures in years to come will not be to the same extent afterwards as it has been in years gone by.

Mr. Hanson: That would cover the rolling stock, maintenance of way, structures and rail?

Sir Henry Thornton: I am speaking of the instrument as a whole. Now, these figures I venture to give you are rather interesting. If we take the year 1930 and compare it with 1922, we find that the increase in net revenue to the railway company is $17,000,000. For purposes of making this comparison I am going to eliminate the central Vermont railway. The capital expenditures on that railway amount to about $30,000,000. The additions to capital on the rest of the railway composing the Canadian National railways amounts to $370,000,000. I eliminate that because the Central Vermont last year—and it is now on a paying basis—because last year it met all of its fixed charges and it had a surplus of $150,000 besides. But if I eliminate that—and I am doing that for convenience because that happens to be the way the figures are prepared, we find that after eliminating the Central Vermont the increase in net earnings in 1930 as compared with 1922 is about $17,000,000, and the increase in capital is about $370,000,000, and that the ratio of the increase in net earnings to the increase in capital $4^{66}/_{100}$ per cent. If you take class one railroads of the United States just as a matter of comparison, as a yardstick, to see what happens, we find that the ratio is $4^{14}/_{100}$ per cent, and if you take the Canadian Pacific you will find the ratio is $^{25}/_{100}$'s of one per cent. In other words, our additions in capital in so far as efficiency is concerned are rather more than the class one railways of the United States.

Mr. Hanson: That includes new constructions?

Sir Henry Thornton: Oh, yes; everything that is chargeable to capital. Now, here is a new yardstick. Within the last eight years the expenditures on capital account on the Canadian National amount to $2,069 per mile of line. On the Canadian Pacific railway it amounted to $1,990 per mile, or practically the same as ours and on class one railways in the United States; and by that I mean such railways as the New York Central, the Pennsylvania and the Santa Fe, and what are generally regarded as the more advanced railways of the States. During that same period 1923-29, the capital expenditures on such railways in the United States were $2,678 per mile, notwithstanding the fact that we were dealing with a young and relatively unfinished railway, and the railways to which I refer in the United States and the Canadian Pacific Railway were finished railways and had been in operation for several decades. Now, I also want to say to you that during that period to which I referred the Canadian National railways increased their capital account on account of additions and betterments $370,000,000 and the Canadian Pacific $232,000,000, and you must remember that the Canadian Pacific has considerably less mileage than we have.

Now, then, we have an industry in Canada which is lucrative and important. It is second only to the agricultural production of the country. I refer to the tourist business of Canada. The tourist business of Canada nets to this country annually a sum which is not less than $300,000,000. It may be more. Certainly it is not less than $300,000,000. It is an important business to us. It leaves in the hands of our people annually $300,000,000. The success that we have in exploiting that business depends on a good many things, and it is made up of the contributions by a good many different factors. There is the contributions of money that is spent by the provinces and by the communities to advertise and attract tourists to Canada. It depends upon the highways which are built by the provinces and which may be built by the Federal government. It depends upon transportation services which are offered by the railway companies. It depends upon the fishing clubs, golf courses, and it depends upon our hotels, because hotels play a very large part in the tourist business of the country. In other words, the point I want to make is that this tourist industry which nets Canada $300,000,000 is not exactly the business of the Canadian Pacific or the Canadian National, it is the business of the country as a whole. But each of us in our way and within our sphere makes certain contributions which contribute to retaining and increasing that business. One of those things is, of course, hotels. The Canadian Pacific railway has always been distinguished for wisdom and sagacity in management, and I make that statement quite cheerfully, and, as a railway man, I sincerely believe it. In the years from 1923 to 1930 their contribution to this tourist business—their investments in hotels, both new hotels and additions to old hotels were represented by the capital sum of $45,000,000.

Mr. HANSON: Since 1923?

Sir HENRY THORNTON: From 1923 to 1930 inclusive. The contribution of the Canadian National in regard to the money we have spent upon hotels in that same period is $16,680,000. If the standard set by the Canadian Pacific and if their estimates of the situation were just, I think we have done our part, and have done it with prudence.

Mr. HANSON: Did you say $16,000,000?

Sir HENRY THORNTON: $16,680,000.

Mr. HANSON: Will the details of these figures be given?

Sir HENRY THORNTON: I am giving them now: Chateau Laurier, $5,927,000; Vancouver Hotel, $2,980,000; Jasper Lodge, which is an investment of $2,483,000—

Hon. Mr. MANION: What date is that?

Sir HENRY THORNTON: That is December 31, 1930.

Hon. Mr. MANION: When was the Chateau Laurier begun?

Sir HENRY THORNTON: The original hotel, of course, started many years ago. The new addition was completed last year.

Hon. Mr. MANION: Because the Chateau Laurier involves a much greater amount of money than that.

Sir HENRY THORNTON: I am simply taking the money that has been spent by both companies during the period under consideration. Now, I mentioned that the Jasper Park Lodge represents a capital investment of say, in round figures, two and a half million dollars. During the last eight years the revenue from the hotel and the accessories connected with the hotel plus net profit in the traffic which we have got, and which we would not have had had we not had Jasper Park, has been sufficient to pay back to the company the entire capital investment of eight hundred thousand dollars besides. I do not know of any resort anywhere in the world that can present such a showing as that. You will probably say "well, two and a half million dollars is a very small sum for what we have there; how did you come to build it so cheaply." The answer is simply that practically all of the material of which we built Jasper Park Lodge and the buildings surrounding it came out of the forests within half a mile of the hotel, including the stone work. Labour was cheap and we were able to build Jasper Lodge for that reason very much more economically than had we tried to construct the building in Montreal or Toronto. The Nova Scotia hotel represents $2,358,000; Minaki Lodge, $1,091,000; the Charlottetown hotel, $689,000; the Saskatoon hotel, a half million dollars; Pictou Lodge, $200,000. Additions to the Fort Garry during the period we are discussing, $136,000; the Grand Beach hotel, which is on the lake close to Winnipeg, $117,000; Prince Arthur hotel, $79,000; the Macdonald, $69,000; the Prince Edward hotel, $20,000; Nipigon Lodge, $13,000; Highland Inn, $2,000. The total approximately is $16,600,000. Now, that is, as I say the contribution which we have made and which we felt was justified in order to retain and to enhance this very large and lucrative tourist business. Now, gentlemen, that represents briefly the money that has been expended in connection with capital investments in the past. Let me say that that has nothing to do with 1930. Well, technically speaking it has not, but it has this effect on 1930 which I think ought to be taken into consideration that it has made possible a reduced expenditure in 1930 and 1931 which we could not have had without damage to the property otherwise. What I would like to make clear to you is this that when the administration of the Canadian National railways was first unified, and the constituent companies were brought under one administration, we were confronted with a certain condition and a certain situation. We had to decide whether the railway was to be equipped to perform transportation responsibilities, and whether it had deteriorated. There was no other course to pursue.

Now, here is another fact which is interesting. In 1930 and in 1922 the gross revenues of the company were substantially the same to all intents and purposes, broadly speaking, the gross revenue of the company in 1930 and in 1922 was the same; but the expenses in 1930 wer actually $17,000,000 less than in 1922, and if allowances were made for reductions in freight rates, and increases in wages, the comparative position would be this, that the expenses in 1930 were $22,000,000 less than in 1922, and I venture the statement that had the property not been brought under a state of efficiency the performance would not have been as I have outlined. We ran through the same territory in 1922, we enjoyed traffic from the same cities, and we are in substantially the same position. Now, that difference in expenses did not happen by accident; there is a reason for it; and the outstanding fact is that with the same gross revenue in 1922 and 1930 on a comparative basis the expenses were $22,000,000 less.

Hon. Mr. EULER: Would you care to make an estimate of what reduction there was in your revenue—say, the net revenues and a reasonable computation of loss due to the trucks and automobiles?

Sir HENRY THORNTON: That is an almost impossible figure to get at.

Hon. Mr. EULER: It is very substantial?

Sir HENRY THORNTON: Yes, it is a very substantial figure, and it is one of those things which is a source of great anxiety to all railway men not only on the North American Continent but in England and all over the world. It is a very serious thing, and it is something that we have in my judgment insufficiently considered thus far. I think the time has come when the industry has, as an industry to recognize that the automobile is an important competitor, and there is only one way to compete with a competitor and that is to compete. There is no good to compete with a competitor with inferior service. That does not get anybody anywhere. If railways are going to compete with the highways they have got to furnish service which is commensurate with the service which is supplied by the highway.

Mr. Hanson: In the United States they are taking steps now. They are taking steps not only to compete but to control. I happened to be at a session of the Maine Legislature this last winter when the whole question of truck control as affecting railway transportation in that State was considered. They are doing something there, and I think we will have to do something in Canada.

Sir Henry Thornton: On that point I think the fair view to take is this that in the first place he who uses that highway which is provided by the state or the province as the case may be, should not use that highway in a fashion which interferes with the reasonable use of other users of the highway. That is to say, he should not operate a truck of such width as to endanger the private vehicle in passing, nor should he operate that truck at a speed which is unsafe to other users of the highway. Nor should the weight of the truck be of such a character as undoubtedly to damage the highway and thereby place an increased burden upon the state. Those who use the highway should be on an equality with respect to the use of it. Secondly, he who uses the highway should pay a reasonable charge for the use of that highway. To the individual citizen it may come in the form of a gasoline tax or a tax for the construction of highways, or whatnot, but whoever uses that highway ought to pay a charge commensurate with his use and the profit he gains from the use of that public facility. Thirdly, the rates and fares which are employed by the users of the highway should be subject to the same form of regulation as applies to railways and steamboats and everything else. If it is a public form of transport, then the public certainly should have a voice through a commission with respect to what the charge should be to the public. Fourth, those who employ the highway for commercial purposes should subject those who drive their vehicles to reasonable mental and physical tests. That is to say, you should not confide a bus laden with passengers to a man who may have advanced heart trouble, or who might have deficient sight, or who might have some other defect. The railways oblige their engine men and firemen to pass an examination for sight and hearing, and, generally, their physical condition is under review from time to time. Certainly, and to a much greater degree, he who drives a truck or a bus, whether it is laden with freight or passengers, ought to be in sound physical condition to safely perform his function. Now, if these things which I have ventued to enumerate were imposed on the commercial user of the highway in the form of regulation, then I do not think the railways or anybody else would have any complaint. We would have to take our medicine. We would have to say, "here is a reasonable competition; we have got to meet that competition, and if we cannot meet it we will have to go by the board." Now, that is briefly the situation as I see it with respect to highway competition.

Mr. Hanson: That is the conclusion they have reached in England.

Sir Henry Thornton: Now, I am not sure whether they have gone that far or not. I haven't had any information as to just what the highway laws are, but it is an exceedingly serious situation in England. First, because England is covered with remarkable highways; secondly, distances are short; and there is a third reason, the climate is mild. We have our wonderful winter which comes along once a year and which helps the railways considerably in the matter of highway use.

Mr. Hanson: Before you leave your survey of the capital account, would you deal with the question of new construction, new acquisition, during this eight-year period, because that is a substantial part of your capital expenditure?

Sir Henry Thornton: I will give you the detail of that: branch line construction—again I will give round figures—$65,000,000; lines acquired, $19,000,000; coordination of facilities, $6,300,000; rolling stock—that is to say engines, freight and passenger cars—

Mr. Hanson: $90,000,000?

Sir Henry Thornton: $19,000,000.

Mr. Hanson: I am speaking of the aggregate of these three items.

Sir Henry Thornton: Branch line construction, line acquired—

Mr. Hanson: And coordination.

Sir Henry Thornton: That adds up to $91,000,000.

Mr. Hanson: Now, with reference to that—

Sir Henry Thornton: You understand what I mean by coordination?

Mr. Hanson: I think I do.

Sir Henry Thornton: Perhaps I should explain that. By coordination I mean this: this railway is made up of the Grand Trunk Pacific, the Canadian Northern, the old Grand Trunk Railway, the Transcontinental and the Intercolonial. The particular lines with respect to which coordination expenses were necessary were the old Grand Trunk, the old Canadian Northern and the Grand Trunk Pacific. We had to fit those properties together. That involved certain construction; certain things had to be done to make the three lines fit in together as one unit. That is what we mean by coordination expenses.

Mr. Hanson: Now, dealing with the first two first, if I am permitted now to ask some questions—

Mr. Heaps: May I ask if Sir Henry has finished his statement?

Sir Henry Thornton: I have substantially finished. There was the statement with respect to capital expenditures and what might be called auxiliary expenses chargeable to expenses properly in order to bring the whole property up to a state of reasonable efficiency.

Mr. Hanson: Now, dealing with the two first items of your construction of branch lines and the acquisition of lines, $65,000,000 and $19,000,000.

Sir Henry Thornton: That would be roughly $84,000,000.

Mr. Hanson: I have in mind the three-year programs that were started when you first came into the Presidency. As you will recall they were before Parliament. All those branch lines in the $65,000,000 were under construction. What proportion in millions, we will say, was involved by the railway management; what proportion was involved by the late administration?

Sir Henry Thornton: I will answer that as best I can but I do not know that it is susceptible to a precise answer. I am not trying to dodge anything. I want to tell you frankly what the situation was. I will just take one or two properties. Take the Montreal and Quebec Southern. Now, the project for the purchase of that property originated with the officers of the company. We knew the property was for sale. It served a territory which was in what might almost be called the territory of the Canadian National Railways, a territory which we believed because of its situation in the eastern part of Canada, the probable availability in the future of cheap electrical energy, we felt it would probably become an important manufacturing district. Naturally, we had reason to suspect that it might fall into the hands of the Canadian Pacific railway. I do not know whether it would or it would not, but at the same time that is something we have got to consider. I think I can say in passing that those days are fairly well over and that we have reached an understanding which is going to prevent any competition with respect to building and buying, but that is by the way. However, our officers examined the property, and we felt that the interests of the company demanded that we should buy that property if we could get it at a decent price. We made our recommendation to the government and gave our reasons, and they were accepted. Now, when we come to the purchase of the Gaspe lines, those railways had been performing a somewhat indifferent service to that part of the country for many years. I cannot recall if this came from the late government or from the officers. My recollection is—I will speak quite frankly—that the government said, "now, you had better consider and examine whether you can justify the purchase of those lines." Well, we thought it over and we looked at it—and mind you anything that I express carries with it also the full approval of our operating Vice-President and the officers of the company; I do not want anybody to get the idea that this is a kind of dictatorship; I consult with all the officers with respect to anything that is done insofar as their provinces go—we finally came to the conclusion that we could justify the purchase of those lines on the basis of fifty cents on the dollar. That is to say, if we take the cost of construction and cut it in two and pay fifty cents on the dollar, we might be justified in purchasing it. And that is the way that came about. Now, when we come to the other large investment we made in the Northern Alberta railways, that had been under discussion, I think, ever since 1924.

Mr. Hanson: That is the one you purchased with the C.P.R.?

Sir Henry Thornton: Frankly I wanted, and all our officers agreed with me, to get that railway for ourselves, and we finally got into more or less of a jam over the thing and we found that both the C.P.R. and ourselves were more or less bidding against each other. So we said, "let us stop this poker game and make a joint proposition." It really resulted in the Canadian Pacific buying the land and offering us a half interest. I think I am safe in saying that that was more the recommendation of the officers of the railway than of the government. The St. John Valley railway—Dr. Baxter spoke to me about that—he had been discussing that purchase for, I should think, at least a year or more. Well, we didn't particularly want to buy it, but at the same time, in view of what the Premier said at that time the situation which confronted the province, and the probability of making something out of it for the future,—because, mind you, when most of these purchases were made everything was booming in Canada—it looked as if we were going ahead for I don't know how many years, and that was the result of the negotiations between the officers of the company and the provincial administration. They made us an offer and we rejected it, and made an alternative offer, and we played little poker with each other. Finally we dickered around and came down to a price. That was recommended to the government and accepted.

Mr. Hanson: I have in mind particularly the schedule of branch lines asked for in the first three years program which included certain branch lines that were acceded to by parliament and certain ones which were rejected. Among those which were rejected was the Guysboro Branch which you are now building.

Sir Henry Thornton: Yes.

Mr. Hanson: I want to know if this is a fair question—I do not want to put you in any hole—if it is not a fair question say so frankly and I will drop it.

Sir Henry Thornton: You do not need to drop anything.

Mr. Hanson: Was it the government that imposed the Guysboro Branch or was that the railway?

Sir HENRY THORNTON: Well, of course, the most ardent advocate of the Sunnybrae Branch was Colonel Cantley, and the Colonel fought and died over that branch line—excepting, that he didn't die; he finally came out on top. The proposal to build a branch line was the result of many discussions that I had with the Colonel, and probably eventually I yielded to his well known blandishments. Politically I should say that the Sunnybrae line was a co-operative movement for once between both parties, as nearly as men get to it. However, it had been a bone of contention for many years, and finally, after discussing the matter with all of our officers, we came to the conclusion, "well, it is not so tremendously attractive; we hope that the predictions of Colonel Cantley will prove correct; we are willing to take a chance on his judgment" and we said, "all right, we will agree to it." That is the way that came about.

Sir EUGÈNE FISET: What was the amount of the commitment?

Hon. Mr. EULER: Has Colonel Cantley's judgment been justified so far?

Sir HENRY THORNTON: The railway is not finished. As soon as it is finished, probably a good deal of traffic that is predicted will develop. At least, I have enough faith in it that all things considered, it was a reasonable thing to do.

Mr. CANTLEY: It was fully justified, Sir.

Sir HENRY THORNTON: The Colonel is an awfully hard man to say no to. The total commitment is $4,025,000. Now, in all these acquisitions and branch lines and one thing and another I think you have to recognize, and I believe that you will recognize, that the Canadian National railway as a state owned institution stands in just a little different position from a purely privately owned railway company. We have certain responsibilities to the people of Canada and to communities which do not exist with nearly the same force with respect to a private company. We necessarily must be somewhat more broad-minded in our point of view with respect to branch lines, and constructions which develop communities than a purely privately owned railway. Now there comes a time, of course, when judgment must intervene and when a railway administration must say to the government—I do not mean either a Liberal or a Conservative government, I mean the government—"no, we cannot recommend that, it cannot be done, it is not sound;" but there are many cases, and this Sunnybrae line was one of them, where there was a question whether it was good judgment to build it, or whether it was better judgment not to build it. In a case like that we felt that the proposition was entitled to the benefit of the doubt.

Sir EUGÈNE FISET: I suppose in many cases the judgment of the officials has taken precedence over the exigencies—

Sir HENRY THORNTON: As far as that is concerned, we have always endeavoured—and I think I speak for the officers of the railway company as well as myself—to speak frankly to the Minister of Railways who happened to be in power at the time and to tell him exactly what our point of view was; and we have done that, I may say, with frankness, and, I think, fidelity.

Mr. BELL (St. Antoine): Returning to your general statement could I ask you to enlarge it in this regard: the revenue this year as I understand it is $20,000,000 less than last year—$26,000,000?

Sir HENRY THORNTON: $46,000,000.

Mr. BELL (St. Antoine): What proportion of the gross revenue would that be, roughly about one tenth?

Sir HENRY THORNTON: No, that will represent about a little more than twenty per cent.

Mr. **Bell** (St. Antoine): Now, in discussing the estimates, is this a fair question: what is the policy of the railway regarding this year's depression: is it for strict economy in everything, labour, material, or whatever it is, or will you simply reduce it proportionately to your loss of revenue?

Sir **Henry Thornton**: I will answer that question in this way. I will begin with the Minister of Railways representing the proprietors, and I think I may go so far as to say that the opinion of the Minister of Railways representing the proprietors is that with intelligence, and we must always introduce intelligence into anything, there should be a rigid strict economy. In other words, that we should promote efficiency wherever possible and reduce expenses wherever possible. With that policy the officers of the company and myself are in entire accord. We have run into a rough bit of weather. During that period we have got to reduce our expenses wherever possible, but there is a point which you reach, and it is a technical point, when reduction in expenses is not really economy. That is to say, you may allow the property to deteriorate to such an extent that you will have to spend more than you save in order to bring it back to a state of efficiency.

Mr. **Hanson**: That refers particularly to deferred maintenance.

Sir **Henry Thornton**: Yes, exactly. In other words, with intelligence and prudence, such prudence and intelligence as we can muster. We are endeavouring to promote efficiency and increased—

Mr. **Bell** (St. Antoine): Without practically any arrangement other than you—

Sir **Henry Thornton**: May I say this: you have to take into some consideration the people who are employed on the railway. They have certain rights that have to be regarded by both the government, as I understand it, and by the railway company itself. You cannot turn a horde of people loose upon the street and merely transfer the burden of their maintenance from the railway company to the city or to the province or to the federal government; in other words, in all these things you have to introduce a degree of intelligence. So you see the motive back of the whole thing is increased efficiency and increased economy.

Mr. **Cantley**: Reduction along—

Sir **Henry Thornton**: Wherever possible.

Hon. Mr. **Euler**: With regard to your capital expenditure, it must pass the approval of the Minister of Railways and the government.

Sir **Henry Thornton**: Yes.

Hon. Mr. **Euler**: Any substantial reduction, or anything so far as the operation of the road is concerned?

Sir **Henry Thornton**: Well, as far as that is concerned, both the present Minister and other ministers—I have always discussed the condition of our expenses, our revenues and things of that sort, with them. I have got the Minister's opinion with respect to the measures that we are adopting, the road's expenses; but necessarily when you come to the detail of the execution of the expenses, the Minister leaves that to me to say how many section men we shall have in a gang, and details of that sort; but there has been—

Hon. Mr. **Euler**: In a large way.

Sir **Henry Thornton**: There is to-day, Mr. Euler, and I think the Minister will permit me to say so, the closest contact with respect to all matters which relate to the policies of conduct of the railways.

Hon. Mr. **Euler**: That has always been the case.

Sir HENRY THORNTON: I have always done that, or tried to at least. Of course, naturally to-day when conditions are more severe and we are in a rougher stretch of weather than we have ever been before, the contact with the Minister must necessarily and properly be closer than it has been previously.

Hon. Dr. MANION: May I put in one phrase. I agree entirely with everything Sir Henry Thornton has said in regard to assistance given by the government in the matter of economies; at the same time anything in the shape of economies in operation and maintenance of the road itself, in the ordinary operation and management of the road, the whole responsibility for that naturally falls upon the management and the directors.

Mr. HANSON: That is under the statute, is it not?

Sir HENRY THORNTON: Of course, that is perfectly obvious. All I can say is that it is a matter of ordinary common sense, that I would discuss any measure or policy with the Minister, and I would like to have his advice sometimes; but the Minister is quite right, the officers of this company are responsible for its administration, and they have to carry out that responsibility with such intelligence and fidelity as they command.

Mr. FRASER: The reduction in your expenses as compared with 1923 and 1930 involve a reduction in your personnel, employees and officers, and that sort of thing.

Sir HENRY THORNTON: Well, there has been an automatic reduction, of course, in employees naturally. Take for instance freight service—

Mr. HANSON: There has been.

Sir HENRY THORNTON: There has been, generally; as business falls off engine men go back to firemen, and the junior fireman has got to get out of the service; he has nothing else to do. In the same way the junior conductor becomes a senior brakeman, and the junior brakeman is put on the extra list.

Mr. FRASER: Would there be a reduction of employees on account of coordination?

Sir HENRY THORNTON: Yes, on account of coordination.

Mr. FRASER: You would expect that?

Sir HENRY THORNTON: Yes.

Mr. FRASER: How does your entire staff compare now with 1923? The number of officials and the number of employees of all kinds.

Sir HENRY THORNTON: I may not be able to get that for a few minutes.

Mr. HANSON: While you are looking up that, may I ask this question: this is part of your working arrangement with the unions?

Sir HENRY THORNTON: Yes.

Mr. HANSON: That they go back as the traffic decreases.

Sir HENRY THORNTON: Eight thousand less, is the actual figure.

Hon. Mr. EULER: Has there been any reduction in wages?

Sir HENRY THORNTON: No; those wages are all matters of contractual obligations with the unions.

Mr. HANSON: There has been a clerical reduction, reduction in time, and so on?

Sir HENRY THORNTON: There has been a reduction of time in the shops. We are working our shops five days a week instead of five and a half, and the curious part of it is production is practically the same in the five days as it was in the five and a half days.

Hon. Mr. EULER: What is the explanation of that?

Sir **Henry Thornton**: Why, the explanation is a very simple one. Saturday morning you only have a half day to work, and it is almost impossible to start any particular job of any importance and finish it, and the result is there is not very much production. That is, what you would consider production. There is a lot of work done, but it does not find expression in production.

Mr. **Hanson**: I suppose there is the fear too, that there will be further reduction coming and the men will have to work harder?

Sir **Henry Thornton**: I did not get that.

Mr. **Hanson**: I suppose there is the fear too, that there will be further reduction in time and the men will have to work harder?

Sir **Henry Thornton**: Well, you have only got a certain amount of work. We have tried to keep our shop busy by doing in our shops work which under other circumstances we would perhaps let out, and generally under contract outside. We have felt that our first obligation was to see to it that so far as possible our shop people were reasonably busy, and we have therefore built certain engines, certain cars in our own shops for that purpose. We believed we had that obligation to our own men, and incidentally I may say everything that we have done in that connection has been done with the full approval, I can say with the cordial approval and assistance and co-operation, of the trade unions.

Mr. **Bell** (*St. Antoine*): Could we have a statement, Sir Henry, of the increases and decreases in wages?

Mr. **Hanson**: He has the percentages there.

Sir **Henry Thornton**: I think you will find it in that pamphlet you have, Mr. Bell.

Mr. **Hanson**: He has a very illuminating chart in dollars and cents, and a comparison with the—

Mr. **Bell** (*St. Antoine*): I mean over the entire system. Has there been an increase or a decrease in wages?

Sir **Henry Thornton**: There has been no alteration, generally speaking, Mr. Bell, as applied to classes in remuneration on the Canadian National Railways. As compared with 1929, taking 1930 and comparing it with 1929, there has been no reduction in class remuneration.

Mr. **Fraser**: Was there an increase in 1929?

Mr. **Bell** (*St. Antoine*): I am speaking of the amount, Sir Henry, not of classes.

Sir **Henry Thornton**: The wages are considerably less, and I think perhaps you will find it in that pamphlet.

Mr. **Hanson**: As a matter of fact, Sir Henry, in the eight-year period there has been an increase in certain classes of wages.

Sir **Henry Thornton**: Yes, Mr. Hanson, there has been an increase to shop men and an increase I think about five per cent to men in the train service. The reduction in the payroll in 1930 as compared with 1929 is $17,000,000.

Sir **Eugene Fiset**: Has there been a reduction in the administrative staff?

Sir **Henry Thornton**: Yes, but I cannot just tell you offhand without going into it, but I can tell you there has been a substantial reduction, one vice-president has been eliminated.

Mr. **Hanson**: That was done recently?

Sir **Henry Thornton**: Yes.

Mr. **Hanson**: That reduction is very recent.

Sir Henry Thornton: Yes; and there has been a general reduction in the administrative staff.

Mr. Heaps: Would it be possible to bring down at the next meeting a brief synopsis of the last five years showing the number of men employed in the railways and the total amount paid in wages over that period?

Sir Henry Thornton: Yes, we can get that as well, Mr. Heaps.

Mr. Heaps: I know that something like that is given in the statistics of the Bureau of Labour.

Sir Henry Thornton: We have it here, Mr. Heaps. I can give it to you right off the grill.

Mr. Heaps: So much the better.

Sir Henry Thornton: Now, this includes pay rolls and capital account as well as chargeable to expenses. The total payrolls for the—beginning in 1923—the total payroll in 1923 was $154,600,000, representing 108,000 employees; 1924, 102,000 employees, and $146,000,000; 1925, 99,000 employees, and $147,700,000—I am just giving you round figures. I take it that is what you want—in 1926, 104,000 employees, $152,700,000; in 1927, 104,600 employees, $160,000,000; 1928, which was, of course, our biggest year, when we had our largest gross earnings, 108,792 employees, $169,700,000; 1929, 111,000 employees, $174,000,000; 1930, 100,000 employees, $156,000,000, and in April, 1931, the rate on which we are giving you a prediction forecast for 1931, 89,199 employees and $142,000,000. Were those the figures you wanted?

Mr. Heaps: It indicates those who are engaged on capital construction. I presume quite a large number of employees in April of this year were engaged in branch line construction?

Sir Henry Thornton: Not very many.

Mr. Heaps: It shows quite a respectable drop.

Sir Henry Thornton: We can separate them between capital account and expenditures, if you like.

Mr. Heaps: Can you also separate what you would call the official staff and the operating staff?

Sir Henry Thornton: Well, this might interest you. This might answer your question. There are 2,104 employees on the lines of the Canadian National Railway who receive over $3,000 a year in salary, and their total remuneration represents approximately $9,000,000. Does that give you the information?

Hon. Mr. Euler: If I took the figures correctly, I took the number of employees as 111,000 two years ago.

Sir Henry Thornton: In 1929.

Hon. Mr. Euler: They are down to 89,000 this year, so the reduction is over 22,000.

Sir Henry Thornton: A good many of these have just automatically dropped out in connection with the reduction of transportation services.

Mr. Hanson: It is the biggest factor.

Sir Henry Thornton: It is a fairly large factor.

Hon. Mr. Euler: The Hudson Bay Railway is not included in this at all.

Sir Henry Thornton: No.

Mr. Hanson: You are building that on account of the government?

Sir Henry Thornton: We are acting as agents of the government.

Mr. Hanson: Sir Henry, does that 89,000 represent administrative executives, employees and everything else?

Sir Henry Thornton: Yes, everybody that is in any way, shape or form associated with the railway.

Sir EUGENE FISET: Who are drawing union wages?

Sir HENRY THORNTON: All kinds of wages, everything.

Mr. CANTLEY: From the president down?

Sir HENRY THORNTON: Everything, everybody.

Hon. Mr. EULER: Can you tell us the aggregate wages paid for the 111,000 employees, and what was the amount of wages paid the 89,000 employees?

Mr. CANTLEY: He just gave us that.

The CHAIRMAN: He just gave us that, $174,000,000 for the 111,000 employees, and $142,000,000 for the 89,000 employees.

Sir HENRY THORNTON: The answer to your question is this, and this of course, is simply a prediction for that period. It will probably be less than these figures which I am giving, because we are constantly finding new and better and cheaper ways of doing things to-day. The prediction to-day is this, that for the year 1931 the number of employees will be 89,199, and their total remuneration will be $142,000,000.

Hon Mr. EULER: How much was the amount for the 111,000?

Sir HENRY THORNTON: In 1929 we employed 111,575 individuals, and we paid them $174,345,000.

Mr. KENNEDY: I hear some criticism of the administrative costs of the Canadian National Railways. Have you any statistics showing how they compare with other lines?

Sir HENRY THORNTON: We can get that; we have not got it. But taking in salaries and expenses of general offices and salaries and expenses of clerks and attendants, there has been a reduction of about $85,000 as compared with 1930 and as compared with 1929. Now, let me answer your question in this way, although perhaps I can get some more definite, precise information. The salaries which are paid on the Canadian National Railways and in connection with what you would describe as general offices and the expenses and their general officers, are substantially the same as you find in any railway of similar size and importance on the North American continent. There is generally a known scale of salaries with respect to various classifications of offices, just as there is a going uniform wages which applies to the machinist and the conductor and the enginemen and everyone else; and those who are in business know, of course, what those are. The answer then to your question, if I may so put it, is—and you may believe me or not, as you like—that the scale of salaries which are paid on the Canadian National Railway is commensurate and the same as those paid for similar service generally on railways in Canada and the United States of America.

Mr. KENNEDY: If there is a known scale, what is the objection to publishing the facts in connection with the salaries?

Sir HENRY THORNTON: Well, simply this,—

Mr. KENNEDY: I am not saying it should be done.

Sir HENRY THORNTON: Simply this: we have found upon one or two occasions in the past, where the salary of an important, efficient officer has been given, he has had immediately offers from other companies elsewhere, and an attempt to attract him from our service. That is one reason. The second reason is that the condition of service and the emoluments to officers are properly the functions of the Board of Directors. If the Board of Directors have not that function, then they have no function. That is one of the responsibilities with which they have been charged.

Mr. HANSON: You say there has been a delegation of authority by parliament in that respect?

Sir **Henry Thornton**: Yes, in fact, if you wish, I was talking to the president of a very important railway not so very long ago, within the last two or three weeks, and he said "I would not give under any circumstances the salary of any officer to any board or shareholders themselves." That is a responsibility which rests upon the board of directors of the company, and as a matter of fact the amount of money which is paid to those who are generally known as executive officers represents a very small proportion of the total expenses of the company.

Mr. **Hanson**: That is true, but I would think that is a pretty high-handed attitude for any general manager to take with respect to shareholders. I think I could get the information, if I wanted it, if I were the shareholder of a corporation.

Sir **Henry Thornton**: Well, knowing your well-known legal ability, of course, I would say yes.

Mr. **Hanson**: I think I could find out what the salaries are.

Sir **Henry Thornton**: All our shareholders are not quite so good lawyers.

Mr. **Hanson**: That is neither here nor there, Sir Henry. I think the position has been accentuated by the statement that was made in the House very recently in reply to a question that there were thirty-five officers of the Canadian National Railways who were obtaining salaries in excess of that paid to the Prime Minister of this country.

Sir **Henry Thornton**: Well, the Prime Minister—

Mr. **Hanson**: And it was rather a shock to the members of the House, I am not going to speak for the public.

Sir **Henry Thornton**: Well, the Prime Minister of the country is notoriously under-paid.

Mr. **Hanson**: I agree absolutely with that statement, but there is the fact, nevertheless.

Sir **Henry Thornton**: It is one of those unfortunate things. If I were running the show, I would promptly increase the salary of the Prime Minister.

Mr. **Hanson**: I do not think the country would stand it now, but so far as the members of the House of Commons are concerned, I think that they ought to pay the Prime Minister and the members of the Cabinet more money.

Sir **Henry Thornton**: I agree with you, and I have always felt that. I would go a little further. That is one of the troubles under our popular form of government. Here is a great country which demands in its executives and its parliamentarians the best brains of the country, and if there were trade unions, they would not stand for the salaries that are paid five minutes.

Mr. **Hanson**: I think it would be a good thing to form a—

Sir **Henry Thornton**: Mr. Hanson, there are conductors on our railways who are making more money than members of parliament.

Mr. **Heaps**: I think we will have to organize members of parliament.

Sir **Henry Thornton**: Why don't you start a parliamentary union?

The **Chairman**: I think some of us had better get a job as conductors.

Gentlemen, we have had a very full meeting. It is five minutes to one o'clock and I should like to know what days you desire to meet next week. I have a suggestion to make, that we have three meetings next week, Tuesday, Wednesday, and Thursday.

Mr. **Heaps**: I should like to get some information on the position of the government——

The **Chairman**: I might say in reference to that, we cannot bring it down until the Minister gets his bills in the house, so that they can be referred to the committee. We cannot go into the bills; we cannot go into the details of the matters until the bills have been presented, so that questions may be asked in this committee.

Hon. Dr. MANION: I will endeavour to get them for you; I will endeavour to have things arranged so that we will be able to get at this year's assessment.

Sir EUGÈNE FISET: I think you can easily get them.

Hon. Dr. MANION: There are all of last year's expenditures to deal with. We are not going to get right at those in one meeting. Last year's expenditures are still to be dealt with, and you have Sir Henry Thornton's general statement upon which the committtee, no doubt, wishes to ask questions. We will make every endeavour to get the whole matter arranged so that everything will be before the committee.

Sir EUGÈNE FISET: What time does the meeting open on Tuesday?

The CHAIRMAN: Eleven o'clock on Tuesday. We will try to continue this meeting so that the committee will go on on Wedneday and Thursday as well.

Sir EUGÈNE FISET: Shall we sit while the House is in session?

The CHAIRMAN: We are getting permission to do so.

The meeting adjourned until Tuesday, June 9, at 11 a.m.

SESSION 1931

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

TUESDAY, JUNE 9, 1931

WITNESSES:

Sir Henry W. Thornton, K.B.E., President of the Canadian National Railways.

Mr. S. W. Fairweather, Director, Bureau of Economics, Canadian National Railways.

Mr. S. J. Hungerford, Vice-President, Operation and Construction Department, Canadian National Railways.

Mr. J. B. McLaren, Comptroller, Canadian National Railways.

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1931

ORDER OF REFERENCE

Ordered,—That the said Committee be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

MINUTES OF PROCEEDINGS

TUESDAY, June 9, 1931.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government met at 11 a.m. Hon. Mr. Chaplin, the Chairman, presided.

Members present: Messrs. Beaubien, Bell (*St. Antoine*), Bothwell, Cantley, Chaplin, Duff, Euler, Fiset (Sir Eugène), Fraser (*Cariboo*), Gobeil, Gray, Hanbury, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Power, Rogers, Stewart (*Lethbridge*).

The Minister of Railways and Canals was out of town on account of the serious indisposition of a relative.

The Chairman ruled that questions already on the Order Paper of the House and disposed of by "Order for Return" should not be submitted in this Committee. He declared, further, that he would not allow any answer to any question that had reference to any contract presently in force; but any contract completed might be inquired into.

In the Chairman's opinion, no question should be allowed that might in any way be considered as detrimental to the interest of the Company.

Mr. McGibbon referred to apprehension prevalent by reason of alleged extravagance in salaries paid by the Canadian National Railways. Discussion followed respecting this matter.

On motion of Mr. Hanbury:

Resolved,—That further discussion concerning Canadian National Railways salaries be deferred until the return of the Minister of Railways and Canals.

Sir Henry Thornton answered a question which was asked yesterday by Mr. Heaps respecting the number of employees of the Canadian National Railways and their compensation for the past five years (by years) divided as between Capital and Operating Expenses.

Mr. Hanson having suggested that the comparison made yesterday by Sir Henry Thornton (see page 11 of the printed Minutes of Evidence) as between Capital and Earnings in 1922 and 1930 had left a wrong impression, Sir Henry Thornton elaborated thereon.

Sir Henry Thornton explained the method whereby the Canadian National Railways annual budget is prepared.

Mr. S. W. Fairweather, Director, Bureau of Economics, commenced the reading of an "Analysis of 1930 Results of Operation as Compared with 1929."

Mr. S. W. Fairweather, Mr. S. J. Hungerford, Vice-President, Operation and Construction Departments, and Mr. J. B. McLaren, Comptroller, assisted Sir Henry Thornton in supplying information.

The Committee adjourned until Wednesday, June 10, at 11 a.m.

JOHN T. DUN,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons, Room 231,

Tuesday, June 9, 1931.

The Select Standing Committee on Railways and Shipping met at 11 a.m. Honourable J. D. Chaplin, Chairman, presiding.

The **Chairman**: The Minister of Railways and Canals is unfortunately not able to be here, but the Hon. Mr. Dupré will be here in a minute or two. We will go on with the business of the committee in the meantime.

Mr. **Hanson**: What are we to take up to-day?

The **Chairman**: I just want to make a statement in reference to some questions that were put to me at the last meeting through Mr. Pouliot. The questions that Mr. Pouliot asked this Committee to take up are questions that are already on the Order Paper, and the whole of those questions have been submitted and are now subject to orders of return in the ordinary way. I feel, therefore, and will decide that this Committee will not touch any questions that have been placed and are before Parliament, an order having been given for their return. There may be some of those questions that may be answered as we go along, and there are others that will take some time, and we have to give the officials the regular time to get those out. That is all I have to say as to that. The business that will be taken up will have to do with the regular business that has already passed; I mean by that, any new business referring to these printed estimates cannot be touched until we get the reference from the House. That is to say, bills or orders before the House have to be attended to first.

Mr. **McGibbon**: Mr. Chairman, I have been trying to get information. Some of my questions have been answered, and some of them have not. Now, you remember, Sir, that twelve years ago you and I supported the Government that controlled these railways. We felt that we had no alternative, and did not want any alternative at that time. I am still in that position. The National Railways are the property of the Dominion of Canada. They are our property. We are interested in the success of them. At that time there was no alternative; the Government refused to let them go to the Canadian Pacific Railway; and you rmember, Sir, at that time, and the late years during the war, there were negotiations started, I believe in the old Canadian Northern, to let these railways go to the C.P.R. I believe the old Grand Trunk was the same. That was fought by the Government of the day that you and I supported. Personally I still support it. But it is needless to shut our eyes to the fact that there is great anxiety throughout the country. You hear it in the railway trains, hear it in hotels and clubs—anxiety predicated, I believe, on the people's interest in their own road. In connection with that you hear extravagant statements made. It is not for me to say whether they are true or not true, but certainly it is in the interests of the country that the truth should be known. I represent forty thousand shareholders of this railway, and in particular nine thousand voters, and I placed questions on the Order Paper some time ago, and I would like to get the information. There are more that will come up that I am going to submit to you on behalf of the people of this country, that is, to see whether there is rank extravagance that the people are saying is taking place. I do not think we can do better, Sir, than start at the top. I would like to know the salary of the President. I know it is stated in the Order in Council at $75,000 and expenses, which I am not prepared to contradict; but the statement is made that additional salaries, emoluments of some kind, have been drawn from some other sources connected with the railway, and the sum which you hear has gone into extravagant figures, in my opinion. I am not saying whether it is true or not true, but I do say that, representing forty thousand people of this country in general and nine thousand in particular, that the people have a right to know. They have partial knowledge of the President's salary; that was made public; but if that is not the complete salary we ought to know it, and we are entitled to that. It has been admitted by the Parliament of Canada, and I would like to have your ruling as to whether the questions I asked in the Order Paper of the House, and others which I purpose asking, will be answered later on.

The CHAIRMAN: Well, gentlemen, this in my opinion represents the shareholders of the company. This is, in fact, the annual shareholders' meeting of the Canadian National Railway, and such questions as do not affect the actual running of the railway—that is to say, questions that would affect the running of the road but that would give information that would be detrimental to the road, detrimental to the business of the road, I would question, and if I had my own way refuse such questions in the Committee. But the questions as to the salary of an official of the road I could not treat as other than justifiable, because I have been at enough meetings of shareholders to know that that is a shareholder's privilege, and any officer of a company that would not give that information would very likely lose his job. That is exactly the way I view this, and if I am to be the one to determine it I would say that that question is perfectly proper and regular.

Mr. McGIBBON: Is that your ruling, Mr. Chairman?

Mr. CHAIRMAN: That is my ruling.

Mr. GREY: Is Mr. McGibbon's question in the same position as Mr. Pouliot's are? What are on the Order Paper? Are his questions to be answered, and Mr. Pouliot's not?

Mr. McGIBBON: Mine are not.

Mr. GREY: If they are on the Order Paper they should be before Parliament.

The CHAIRMAN: There is some difference between the questions. The questions submitted by Mr. Pouliot have been determined by the House. The House has given an order for those questions to be answered in the regular course of business. It takes some time to gather the answers together. Of the questions that Mr. McGibbon has put before the House, two at least, probably more, that have been put by Mr. McGibbon may have been referred by the Government to the Railway Company, and in reference to those questions the Railway Company say that it is not in the interest of the road that they be answered. While that is their point of view, I may say that my point of view is different. Now, if that point of view is not correct, this Committee is in power, and not me. I have given the ruling and you have the same recourse to my ruling as you have anywhere else.

Mr. BELL: Mr. Chairman, my previous experience with this Committee has been this, that the President and officers never refused to give a member any information that he asked; but the point is this: Does Mr. McGibbon require this for his own information, or will it be given out publicly here? It may be detrimental to the running of the Canadian National Railway. I agree with your ruling, but I believe that the Officers of the Canadian National Railway have never refused to divulge any information.

The **Chairman**: So far as I know of this Committee—and I have been on the Committee regularly—I have never heard of any question that has not been fairly well dealt with; and if any questions were to arise that in my judgment would be to the detriment of the road I would refuse to put the questions, or refuse to answer them. I simply say this; if the majority of this Committee do not agree with me it is their right to dispute my decision in the matter. Of the questions that Dr. McGibbon asked, one had reference to the President's salary. That salary is a matter that everybody knows about. It was made by the authority of Parliament. Surely there cannot be anything wrong with an enquiry about that salary or any other salary. If the salary of the President of the road is public property—and it must be, because it is in the parliamentary paper—then every other salary must be; it does not only apply to the salary of the President. Surely that cannot be detrimental to the railway company; I cannot see it. However, I simply make the statement again, that I am only your servant, and if I am wrong in that decision, or if that decision is not satisfactory, it is up to you to instruct me what you want.

Mr. **Beaubien**: This is the first year I have been on the Committee. The attitude that has been taken in the House of Commons was that it was not in the interest of the railway company to give the salaries.

The **Chairman**: That is not quite correct.

Mr. **Hanson**: The management took that attitude.

Mr. **Beaubien**: I stand corrected. That is the attitude the company has taken, through the Minister, in the House, and I do not see any reason why we should depart from that procedure. In the first place I do not suppose Sir Henry Thornton had any objection to give his salary, but the railway company, like any company—even your own company, Mr. Chairman, or any company—if you have a secretatry or officials in any department, and you go along and broadcast their salary, somebody might come along and pick those men up, and so the railway company would be without them.

Mr. **Hanson**: You need not worry about that.

Mr. **Beaubien**: I am not worrying.

The **Chairman**: Now, gentlemen, you must not interfere. This gentleman has a right to speak.

Mr. **Beaubien**: Our experience is this; even if it is a private business—and the Canadian National Railway, as far as that goes, is a private corporation—the Minister is not supposed to act politically, anyway, and we should not go too far in getting into the private operations of the railway company where it will not do us or the public any good.

Hon. Mr. **Euler**: One does not want to reflect on the chairman, who is a very good friend, but after all, this Committee is the creature of Parliament itself, and can very well take an example from Parliament. Questions in regard to this matter have been placed on the Order Paper, and I think the Minister of Railways said that it is not in the interest of the road—

Mr. **Hanson**: He did not say that; he said the management took that attitude.

Hon. Mr. **Euler**: I take it, from that, that the Minister of Railways in that regard followed the wishes and advice of the management. It all comes to the same thing. The result was that Parliament, or a member of the Government representing Parliament—the Minister of Railways—did not hand out the information. If Parliament, then, took that attitude, as it actually did, why should this Committee want to go any further than Parliament itself—that is, the Committee itself, being a creature of Parliament? I would ask this—

Mr. Hanson: Parliament has not replied.

Hon. Mr. Euler: Why should we not follow the same course that Parliament has done? Ordinarily I am pretty much in favour of information being made public, but after all, this road is a public project; why should it not be conducted, as much as possible, as a business proposition, following the ordinary rules of business propositions? With that view, I say we ought to take the advice of those gentlemen who control it.

Sir Eugène Fiset: I have been a member of this Committe in years past. These officials of the railway company have already been brought before the Committee. The view of the Committee then was that it was not thought advisable that we should press that question, but the statement made by the Minister in the House the other day did not indicate what my Honourable friend, Mr. Euler, has just stated. The Minister said that the officials had objection to these facts being divulged, and the result was that the matter was before this Committee, and the reasons they were not willing to divulge the figures would be given to this Committee. It is only a matter of a vote to ascertain what is the opinion of the Committee. If the Committee decides that the salaries of the high officials of the Canadian National should be made public I think it should be done. If they decide otherwise, why, that is the view of the Committee.

Mr. Heaps: I think if we keep on the way we are going here we will not get very far. I think that any member who wants information, proper information, should get it, but the man who ought to give us the information is not here this morning. I mean the Minister of Railways. I think if we are going to look into the salaries, we will take time that we need for going into much more important questions. I am more interested in the operation of the Canadian National Railways than I am in the salary of the President or Vice-President or any of the high officials of the company. I would suggest, however, Mr. Chairman, as I am very anxious that this information should be given to all the members of the Committee, that this question should be deferred until the return of the Minister of Railways himself; and Mr. McGibbon might have the questions put before the Committee at the one time. He has made a statement here in regard to extravagances of one kind or another, and I would like him to make the whole statement he is prepared to make, and to have it made in a public character before this Committee. Personally I would like a man who is saying there is something wrong in the salary to say what that wrong is. It makes a bad impression, and it should not be made before the Committee and before the country as a whole unless that Member has full information. I think the matter should be deferred until Dr. Manion is here.

Mr. Hanson: Mr. Chairman, I am quite in accord with that suggestion. I may say frankly that I think from a strictly legal standpoint we are entitled to the information. I understand, however, that Sir Henry Thornton would not desire that the information should be made public property, for the reasons he has given. However, I do think that the Minister, who is, after all, our chief in relation to the railways, should be present, and these questions should be determined on a lead from him. I think he must take the responsibility of determining it before the Committee, and I am quite willing that this matter should stand until he returns, and then have it settled definitely one way or the other.

Mr. McGibbon: I do not want to take up so much of the time, but there are certain general principles. For instance, the public have a right to know whether the contract with the President has been lived up to. Now, very likely the fact that the management will not say whether it has, may give the public the right to think that it has not. If that is not given to the public—the salary of the President, and the expenses—I may say that this thing is not kept under a bushel before the public, for you hear it every place, and the sums that you hear are simply fabulous. I do not say they are true, but I say this, that it is in the interest of the management themselves to deny, if it is not true, and if a true statement of affairs is not made I contend that it ought to be made, if for no other reason than to stop this talk. I am interested in the National Railways. I was a supporter of the Government that promoted it, and I was with them in the view that it would not be fair to put itself in the hands of any organization that controlled all the railways of this country. To my mind it is inconceivable that the National Railways should ever fall into the hands of the Canadian Pacific. This is our property; we represent the Canadian people; we have a right to know whether it is managed properly and economically or not. I say again, in view of the widespread publicity that is given to this talk, not only here in Ottawa but every place in the Dominion of Canada, that the easiest and surest way to create confidence in the management is for the management themselves to disclose the true state of affairs. I say it was a mistake for the Government not to answer these questions, because they are questions that could have been answered, and if the contract had been lived up to, nothing more is being asked of the Canadian National than a simple statement of that fact. Mr. Chairman, I say again, as a member of this House, representing forty thousand shareholders in this country, I am entitled to that information

Mr. HANBURY: I agree with Mr. Heaps and Mr. Hanson, and in order to bring this matter to a head I would move that the further discussion of the salaries of the officials of the Canadian National be deferred until the return of Hon. Mr. Manion, the Minister of Railways.

Mr. HANSON: I think it would be unnecessary to put that motion.

The CHAIRMAN: Is it your pleasure, gentlemen, to have the motion made by Mr. Hanbury, to be put formally? (Voices—"Carried".) Seeing that the motion was made, I will declare it carried.

Mr. HANSON: What is it proposed to take up now?

Sir HENRY THORNTON: Might I interrupt to say that answers should be handed in to questions asked at the previous meeting. Shall we follow that procedure? I think the consensus of opinion is that we should. Mr. Heaps asked this question: "Number of employees of the Canadian National Railways and their compensation for the last five years (by years) divided as between Capital and Operating Expenses."

I have the answer to that question and will turn it in, but it has been found almost impracticable to divide the number of employees between capital and operating expenses because during a large part of the time a considerable number of the men were working partly on matters chargeable to capital and partly on matters charged to expense, and it is impossible to make a division, but we made a division between the total amount spent on capital and the total amount spent on operating expenses and I will hand it in to go on the record.

Answer: Employees and Compensation including Eastern Lines and excluding Central Vermont is as under:—

	Average Number of Employees	Operating labour	Capital and other Accounts	Total Compensation
1926..	103,952	$136,023,189	$16,720,119	$152.743.308
1927..	104,671	141,323,692	18,792,510	160.116.202
1928..	108,792	150,754,658	18,937,646	169.692.304
1929..	111.575	152,760,785	21,593,222	174,354.007
1930..	100,678	140,072,733	17,839,517	157,912,250

The CHAIRMAN: I might say as questions come up we are keeping them all by themselves so that next day we can segregate them and put them into shape without any trouble. They will be read into the record as well. They will be answered here and they will get into the record in that way.

Mr. HANSON: What is the stage of the proceeding we are now at? If in order, I may say that on page 11 of the Minutes of Friday, on speaking of capital expenditure, Sir Henry Thornton said, "we take 1930 and compare it with 1922 and find an increase in net revenue to the railway company about $17,000,000, and then you have reference to the elimination of the Central Vermont which had capital expenditures to about $30,000,000. You say in the minutes, Sir Henry,—"

> I am speaking of the instrument as a whole. Now these figures I venture to give you are rather interesting. If we take the year 1930 and compare it with 1922 we find that the increase in net revenue to the railway company is $17,000,000. For purposes of making this comparison I am going to eliminate the Central Vermont railway. The capital expenditures on that railway amount to about $30,000,000. The additions to capital on the rest of the railway composing the Canadian National railways amount to $370,000,000. I eliminate that because the Central Vermont last year—and it is now on a paying basis—because last year it met all of its fixed charges and it had a surplus of $150,000 besides. But if I eliminate that—and I am doing that for convenience because that happens to be the way the figures are prepared—we find that after eliminating the Central Vermont the increase in net earnings in 1930 as compared with 1922 is about $17,000,000 and the increase in capital is about $370,000,000 and that the ratio of the increase in net earnings to the increase in capital 4 66/100 per cent. If you take class one railroads of the United States just as a matter of comparison, as a yardstick, to see what happens, we find that the ratio is 4 14/100 per cent and if you take the Canadian Pacific you will find the ratio is 25/100's of one per cent. In other words, our additions in capital in so far as efficiency is concerned are rather more than the class one railways of the United States.

Now I would like to know exactly what you mean by that statement and that declaration because I have been studying it since I heard it and if it means you are allocating to the $370,000,000, the revenue of $17,000,000 I do not think it a fair comparison. What about the billion dollars behind that $370,000,000 that helps to earn that money.

Sir HENRY THORNTON: I made a statement which I think is quite easily understood that in 1930 and 1922 the gross earnings of the two years were substantially the same. Oh, Mr. Hanson, this particular statement I might say includes the Central Vermont but does not include the Eastern lines. I think the statement I made as to capital and expenditure is plain here. As to what perhaps you have some difficulty in understanding is this, that in comparing 1930 with 1922 the actual increase in net earnings was $17,000,000 in 1930 over 1922. That is the addition to capital was represented by $370,000,000. If you take class I railways in the United States their addition to increase in net earnings in 1930 as compared with 1922 represents an increase of $205,000,000 or practically $205,700,000. Within that period their addition to capital amounted to $4,966,000,000. Now in our case, in respect to the income the ratio of increase of our earning to the increase of capital was 4.66 per cent—with respect to class I railways in the United States the ratio of increase in net earnings in capital was 4 14/100 per cent, and with respect to the Canadian Pacific Railway, as far as it is revealed from their report the increase in net revenue was $584,000 and in the intervening period capital of $232,000,000, making a ratio of 25/100 to one per cent. Does that make it clear?

Mr. HANSON: I understand the basis of this tabulation but I object to the implication that because you spent $370,000,000 you earned the whole $17,000,000 in excess over 1922. I say that is not a fair statement. It had a billion dollar capital behind it, and it gives the wrong impression.

Sir Henry Thornton: It was not the intention to give a wrong impression but the fact remains that we had the same railway in 1930 that we had in 1922; it serves the same territory; it had substantially the same offices but the net revenue was $17,000,000 greater in 1930 than in 1922, and how did that happen? The point that I make is that in 1922 the railway was not an efficient machine; it was badly lacking in many facilities which were essential for economic administration, and by the addition of the capital set forth we were able to very materially reduce our expenses, and there are officers here who have been familiar with this property for a much longer period than I have and who will say to you if those facilities had not been provided the net earnings of 1930 would have been the same as in 1922.

Mr. McGibbon: In 1922 we did not have the amalgamation of these different lines and did not have the revenue we should have got. I remember the difficulty the government of the day had in getting the railways to work together.

Sir Henry Thornton: That is quite true, but we must take this into consideration that in making the statement that it was $17,000,000 more in 1930 than in 1922 I have made no allowance for any reduction in freight rates and increase in wages, and if those two factors were concerned the difference would not have been $17,000,000, but somewhere around $22,000,000. Mr. Fairweather says the actual figures would be $24,000,000, and the $24,000,000 would take up the facts you mention.

There is no doubt an amalgamated property is more easily administered than a separate property.

Mr. Hanson: Is it that there was a loss on the haul.

Sir Henry Thornton: That may be so, but after all, where was the same tonnage available. The Grand Trunk got their proportion and the old Canadian Northern got their proportion and the Canadian National Railway got their proportion.

An Hon. Member: The C.P.R. got a large proportion which should have been got by the Canadian National lines.

Sir Henry Thornton: I do not know about that, but I do make the definite statement that you have the spread between $17,000,000 and $24,000,000 which would take up the balance you mention.

Mr. Cantley: Is it not true that some of this may be attributed to the fact that in 1922 there was the commencement of a great depression as compared with the very large increase in traffic in 1930.

Sir Henry Thornton: Of course I was not here in 1922 and I do not know that I can state with any great assurance as to that, but if you can find any greater depression than in 1930 or 1931 I would like to see it.

Mr. Beaubien: You have given an increase in regard to the Canadian Pacific Railway and they enjoyed the same increase as the Canadian National and still your ratio is higher.

Sir Henry Thornton: That is just my point. These are arguments that may be used, either with wisdom or otherwise in regard to the parts devoted to capital.

Mr. Hanson: That is a justification of spending $370,000,000 but the implication is that if you had not spent the $370,000,000 you would not have had the 4·6 increase in earning. That is the point I have in mind.

An Hon. Member: You and I disagree in that.

Sir Henry Thornton: Mr. Hungerford has had long experience with all these properties, much longer than I, and I think it would be illuminating if he would give his opinion based on his knowledge of the property and what he thinks of the addition to capital for the purpose of making a more efficient machine.

Mr. HUNGERFORD: That is really a question very much complicated by the economies that has resulted between the lines by amalgamation, but in a general way there can be no question that the capital expenditures have been very much largely responsible for the larger measure of net earnings. That is all I can say on that and I will answer any question that you may wish.

Sir HENRY THORNTON: I think it would be interesting if this committee knew how the annual budget is made up. It is prepared in this way: The regional general managers send to Mr. Hungerford usually early, in November, the works which they feel they should have for the administration of the property. Those requisitions are tabulated and are examined by Mr. Hungerford. Now the same thing happens in every other department but, naturally, it so happens that a far larger percentage of capital expenditures is necessary in the operating department. There are the other departments such as the telegraphing and express, but nothing like the expense involved in the operating of the department. All those items are examined by the various vice presidents and myself and it almost invariably results—in fact it does invariably result—in Mr. Hungerford and myself materially reducing the expenditure that every regional manager wants. Of course every manager wants the best he can for his own branch. When we get these items in we have to examine those items in the light of the resources which we think reasonably available.

Not only do we get these requests from general managers but from any others who suggest things they think should be done. At the end when the budget is done we try to reduce it to the justifiable things that should be done and when this is done, there is an informal discussion with the Minister of Railways.

Sir EUGÈNE FISET: When these matters are sifted down are they taken up later.

Sir HENRY THORNTON: Just wait—I discussed that informally with the Minister for the reason that no board of directors would pass a budget which we know the Minister will not present. That would be a waste of time, so I discussed the whole budget with him and he, speaking for the government, informally gives me his opinion as to what should be expended. When that is done I go to the Directors with this budget and say, here is the budget.

Mr HANSON: Before leaving that do you know if it has been the practice of late years for the Minister to put that before council.

Sir HENRY THORNTON: I do not know.

Mr. HANSON: If you do not know it cannot be helped, but I would like to know.

Sir HENRY THORNTON: Then that budget comes back and is discussed item by item with the directors of the company, and it may be approved or it may be altered quite frequently it is altered and then that stands as the adopted budget of the railway company and that is formally sent to the Minister and at that moment our responsibility ceases and it is then in the hands of the Minister and the government and parliament. That is the way the budgets have been prepared.

Mr. BELL: When you came over and took charge of the Canadian National Railway in 1922 there was a certain amount of capital involved in the Canadian National Railway. You come from the period of 1922 up to date and then you compare that with the class A railways of the United States and the amount they spent on capital expenditure, and then you take your net earnings and compare them with the other—I would like to ask for this information, that is, what class railways in the United States have you made a comparison with.

Sir **Henry Thornton**: Class I railways in the United States such as the Santa Fe railway company, the Southern Pacific, New York Central, the Pennsylvania Railway, the Baltimore Ohio, the Southern and Erie Railway, all railways of that character, and I think that will answer your question more clearly than if I were to give you an abstract formula.

An Hon. **Member**: Surely Mr. Hanson you do not argue that the railway should not make capital expenditure.

Mr. **Hanson**: I do not say that but I say that this $17,000,000 is not attributable to the fact that they spent $370,000,000 from capital account.

Mr. **Bell**: They could not have made that if they did not spend that.

Mr. **Hanson**: I do not know about that.

Sir **Henry Thornton**: All I can say is that you have the same railways in 1922 as in 1930. True as Mr. McGibbon has pointed out there were economies that resulted from amalgamation and perhaps a better spirit among the railways and a more enthusiastic personnel, and I say that accounts for the difference between $17,000,000 and $24,000,000.

Mr. **Euler**: The statement was made in the House that you disregarded the interest on the amount which had been advanced that the average deficit of eight years was about $12,000,000—is that correct?

Sir **Henry Thornton**: I will answer this question as best I can. It is pretty hard for me to catch all the balls at once.

Hon. Mr. **Euler**: I think he said the deficit for the eight years was about $100,000,000.

Mr. **MacLaren**: The income loss for that period was $85,854,568.72, a little over $10,000,000 of an average per annum.

Hon. Mr. **Euler**: Does that include the heavy loss of the last year, $29,000,000?

Mr. **McLaren**: Yes.

Hon. Mr. **Euler**: If you did not include last year, the loss would average in the neighbourhood of what, some eight million dollars?

Sir **Henry Thornton**: That would be fifty-six millions, about eight millions.

Hon. Mr. **Euler**: The figure of twelve millions is incorrect; it should be about ten millions.

Sir **Henry Thornton**: About ten millions.

Mr. **McGibbon**: He had enough cars to reach from here to Toronto, about 240 miles. Now, I presume those are all replaced out of capital account, consequently operating expenses for the cars would be reduced, at least partly.

Sir **Henry Thornton**: That was not all charged to capital account. (To Mr. McLaren): Can you explain that for Mr. McGibbon, what would be the value of those cars scrapped and replaced?

Mr. **McLaren**: Freight car retirements for the period of 1922 to 1930 charged into account, were $11,668,170.49.

Mr. **McGibbon**: Eleven millions, charged to capital account?

Sir **Henry Thornton**: Charged to operating accounts.

Mr. **McGibbon**: What has been replaced in those 240 miles of cars is charged to capital?

Mr. **McLaren**: New Freight cars charged to capital for the period was $64,077,186.98.

Sir **Henry Thornton**: I might explain, doctor, when a freight car is retired and another freight car is put in its place, a certain proportion of that new freight car is charged to capital, and a certain portion is retired and charged to expenses, and that is all subject to definite accounting rules which are practically the same, or I think the same on the Canadian Pacific Railway, or is pretty much the same theory they follow.

Mr. **McGibbon**: Who establishes the rules?

Mr. **Hanson**: There is a standard system?

Sir **Henry Thornton**: There is a standard system we follow with the approval of the Railway Commission of Canada, the Interstate Commerce Commission.

Mr. **Hanson**: The Railway Commission?

Sir **Henry Thornton**: Yes, the Interstate Commerce Commission, because we have a certain amount of mileage over there and we have to conform to their rules, which are very much similar, and that is the one practice we follow all along.

Mr. **Fraser**: The practice you follow is laid down by the Railway Commission?

Sir **Henry Thornton**: No, you cannot say that.

Mr. **Hanson**: Is this a fair statement, it follows a practice established by the Interstate Commerce Commission in the United States?

Sir **Henry Thornton**: That is right.

Mr. **Hanson**: Is there any difference between your practice and the practice adopted by the Canadian Pacific Railway?

Mr. **McLaren**: I cannot just say what the Canadian Pacific Railway practice is; it is not disclosed in their accounts.

Sir **Henry Thornton**: Can you say so far as you know, in the final results it is more or less the same?

Mr. **McLaren**: I would not venture to say what the Canadian Pacific Railway accounting is.

Mr. **Hanson**: What is this gentleman's name?

Sir **Henry Thornton**: Mr. McLaren, the Comptroller of the Canadian National system.

Mr. **McLaren**: Our accounting in Canada is on the same basis as the Interstate Commerce Commission regulations, with the exception of depreciation on equipment.

Mr. **Hanbury**: The same depreciation for a different period?

Mr. **McLaren**: No, the American roads are required, under the regulations, to charge the depreciation monthly in their accounts, we do not follow this practice in Canada.

Mr. **Hanbury**: Is the rate not the same?

Mr. **McLaren**: The rate?

Mr. **Hanbury**: Yes.

Mr. **McLaren**: The railways in the United States have various rates; some use a half of one per cent, and others use as high as four per cent.

Mr. **McGibbon**: What is the life of a freight car, having regard to those repairs?

Mr. **McLaren**: I prefer the operating gentleman, Mr. Hungerford, to answer that question.

Sir **Henry Thornton**: Can you answer that question, Mr. Hungerford?

Mr. **Hungerford**: The regular life of a freight car is from thirty to thirty-five years.

Sir **Henry Thornton**: On steel equipment, the cars last almost to perpetuity. I mean to say you keep on renewing plates, bolts, and different parts, and it increases the life of the car. Of course, in a steel box car, the life is very much greater than the wooden box car, because we eventually get to the position in a wooden box car where we cannot renew it any more.

Mr. McGIBBON: That is just the point I was coming to. It struck me, considering the fact that the Canadian National took over the Grand Trunk Pacific that the cars could not be very old, as Mr. Hungerford says the life of a car is thirty-five years, and to scrap 240 miles of cars in eight years must be an enormous depreciation.

Sir HENRY THORNTON: I will explain that in just a moment. One of the factors in the loss was from the large number of all wooden freight car equipment that we had. In 1923 we had, in round figures, 38,000 wooden freight cars. We had also 26,900 wooden freight cars, but with metal draft bar. Now, that 38,000 wooden cars to which I refer were, at that time, rapidly becoming into an unusuable condition; they were rapidly approaching a condition which debarred them from interchange with foreign railways, and they had to be renewed. And of course, if they were to be renewed, it was better that they should be renewed in some permanent character, and that was one of the very serious and anxious problems which confronted us. We were confronted with approximately 38,000 wooden under-frame cars that were rapidly becoming unusuable and something had to be done with them.

Mr. KENNEDY: Because of not being interchangeable? I suppose that was an important factor?

Sir HENRY THORNTON: It was a very large factor, because we were restricted in their use, as anybody can see.

Mr. HANSON: I do not think anybody seriously criticizes your policy in that regard, I think probably you were obliged to do that.

Sir HENRY THORNTON: As a matter of fact, while we have a number of steel under-frame cars yet, the number of freight cars that were built was not in proportion to the number we should have replaced, but was governed by the money that was available. If we could have built more cars, and if the finances of the company would have stood it, it would have been a wise thing to do. If we could have built more box cars, and more freight cars, it would have been a wise thing to do.

Mr. DUFF: There were about 21,000 cars.

Sir HENRY THORNTON: 124,861, divided as follows: steel, 6,397; steel frame cars, 55,750; steel under-frame cars, 17,462; steel centre sills, 1,616; wooden cars with metal draft gear, 38,920; wooden cars, 4,716.

Mr. KENNEDY: How many have you scrapped since 1922?

Mr. DUFF: About 21,600.

Sir HENRY THORNTON: 27,855.

Mr. DUFF: You should have extended the line to Brantford instead of Toronto. From here to Toronto would amount to 21,600 cars.

Hon. Mr. EULER: Why take Toronto as a standard at all?

Sir HENRY THORNTON: Another thing I should like to point out to the committee is this, that during the peak business period of 1927-1928, we were actually short of cars to take care of our business, and we were obliged to use borrowed cars from other railways, which added very largely to our per diem charges, because you will understand when you use a car of another railway on your own line, you are obliged to pay a dollar a day for the use of that car; so that not only was it advisable to renew those wooden freight cars because of their condition, but it would also very materially reduce our per diem charges to other railways.

Mr. DUFF: There were about 3,300 scrapped each year?

Sir Henry Thornton: Mr. Power, that would be the average.

Mr. Power: How many cars are loaned to American roads?

Sir Henry Thornton: We can tell you on the average how many of our own cars are on loan, how many of our own cars are on our own line, and how many off the line, if that is what you want? Mr. Power wants to know roughly how many of our cars are on our own line, and how many on other lines.

Mr. Power: You said a moment ago that you had a shortage of cars in 1928. And that you were obliged to borrow cars or to rent cars from other railways. At the same time you must have cars on the United States roads?

Sir Henry Thornton: Yes.

Mr. Power: Would not it about average up?

Sir Henry Thornton: Well, it did not as a matter of fact. I can tell you what the figure was. Our cars on foreign lines in 1930 averaged practically, about 15,000.

Mr. Power: 15,000?

Sir Henry Thornton: And foreign cars on our lines on the average, totalled 13,000, which of course, gave us a per diem credit, because they were paying us a dollar a day on 15,000 cars, and we were paying them a dollar a day on 13,000 cars.

Mr. Power: I should imagine in 1930, so far as the accounting is concerned, you would be very glad to use their cars rather than have a—

Sir Henry Thornton: Of course, the object of every railway, is to keep, as far as possible, its own cars on its own line, and to keep foreign cars off its line, because on every foreign car you have on your own line, you pay a dollar a day for it; and one of the measures of efficiency in railway business is the use that is made of your own cars on your own railway, and the extent to which you can get rid of foreign cars. For instance, the moment a foreign car has become empty on the line of the Canadian National Railway, we get it back home as quickly as we can, unloaded if possible, but anyway to get rid of it because that car costs us a dollar a day every day we have it.

Sir Eugène Fiset: May I suggest this discussion could better take place on one of the items on the statement of the report?

Mr. Hanbury: Referring again to your statement with reference to the ratio of gross earnings increased in the investment, can you give to the committee the ratio of gross earning to the total investment on the different periods and compare with those class A railways of the United States and the Canadian Pacific Railway?

Sir Henry Thornton: I am afraid we cannot.

Mr. Bell: What do you mean by the term capital expenses? Does that take into account hotel systems and so forth?

Sir Henry Thornton: Oh, yes.

Mr. Bell: Terminal system?

Sir Henry Thornton: Everything, everything which is an addition to the property and under the accounting rule charged to capital.

Sir Eugene Fiset: Those capital expenses are voted yearly by parliament?

Sir Henry Thornton: Precisely.

Sir Eugene Fiset: And they are submitted to the Minister for consideration?

Sir Henry Thornton: That is right.

Mr. Kennedy: You made a statement the other day, referring to hotels, and you told us about the Jasper Park hotel, the earnings from the hotel at large, and the earnings that came to the railways as a result of the hotel. Can you tell us in the same way, what the results of the other various hotels were, or have you got them?

Sir **Henry Thornton**: I do not believe we can furnish that; and the reason we furnished it at Jasper is because it is purely an estimate of the passenger department; it is not an all year round hotel. It is operated purely for the purpose of bringing passenger business to the railway, and consequently with respect to that hotel, we had a division made between the earnings of the passengers, which we have not got, for instance, at Fort Garry, or the Chateau Laurier. It would be an impossible thing, for instance, to have with the Chateau Laurier. I do not think our account would enable us to say how much we earned in passenger receipts as a result of the existence of the Chateau Laurier; I do not believe we can make that clear.

Mr. **Hanson**: One is exclusive, and the other is not.

Sir **Henry Thornton**: That is it, exactly.

Mr. **Kennedy**: Regarding the earnings of the railway some of the earnings are made by transferring of credits from some other division belonging to the railway itself, a transfer from one part to another of coal or timber, and so on.

Sir **Henry Thornton**: You mean the movement of materials on company's service?

Mr. **Kennedy**: Yes.

Sir **Henry Thornton**: I did not get what you meant.

Mr. **Kennedy**: I was wondering what percentage of the freight earnings of the Canadian National railway was made up of that kind of traffic, and how it compares with other railways.

Sir **Henry Thornton**: Well, there is no charge for material which is moved on company's service.

Mr. **Kennedy**: No charge, none of the freight items are made up in this way?

Sir **Henry Thornton**: No.

Mr. **Fraser**: Freight on capital—

Sir **Henry Thornton**: If it is a movement of material on capital account.

Mr. **Fraser**: Not on regular service, regular operating service?

Sir **Henry Thornton**: No. For instance, if you have to move a carload of ties from one point to another, in the course of business, no charge is made on that movement.

Mr. **Hanson**: But on building a new line, there is a charge.

Sir **Henry Thornton**: Yes, and it is included in the original estimates of course. We carry a separate item in our accounts known as Transportation for Investment Cr. is carried on a separate item.

Mr. **Hanson**: I think we ought to resume the regular course of procedure. Perhaps I have been the greatest sinner, but I wanted to get this thing elucidated. I think we can go on now with the regular course of proceeding, taking up the statement until we get the estimates.

Mr. **Cantley**: May I ask Sir Henry Thornton one question before you do that? In regard to the 4,000 odd cars that you have to-day and which are falling into discard, what is your intention in regard to replacing them this year?

Sir **Henry Thornton**: Well, our budget includes a certain—I can give you the figure in a moment—number of new cars, and those cars will, to that extent, replace an equal number of old cars.

Sir **Eugene Fiset**: The amount included in the estimates this year is $9,000,000.

Sir Henry Thornton: For freight cars?

Sir Eugene Fiset: Not only freight cars, but traffic in general.

Sir Henry Thornton: That is right. Mr. Cantley wants to know how many freight cars we are going to build this year. Do you remember, Mr. Hungerford, just how many.

Mr. McLaren: A little over four thousand.

Sir Henry Thornton: A little over four thousand.

The Chairman: Now, gentlemen, with respect to Mr. Hanson's remark a moment ago, the reference before this committee reads as follows: "That standing Order 63 of the House of Commons, relating to the appointment of the Select Standing Committees of the House, be amended by adding to the Select Standing Committees of the House for the present session a Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, to which will be referred the accounts and the estimates of the Canadian National Railways and the Canadian Government Merchant Marine for the present session, for consideration and report to the House."

Now, that is the first reference, and we cannot go on with the accounts until those pass the house.

Sir Eugene Fiset: Mr. Chairman, I think you are making a mistake. The last part of your statement suggests that the estimates of the Canadian National Railways shall be referred to the committee, but that is broad enough for you to examine every part of the report, or the analysis of the report of the estimates of last year, before the estimates are submitted.

The Chairman: The estimates certainly cannot be taken up.

Sir Eugene Fiset: May I suggest, in order to save the time of the committee, that the same procedure be adopted this year as we adopted for two years in succession, instead of going on with the details of the report of the Canadian National Railways, we should take, first of all, the analysis of the provisions for 1930 and compare them with 1929. In doing so, sir, we save a tremendous amount of time. I would suggest we start right off with the analysis of 1930 as compared with 1929.

The Chairman: I brought the analysis of 1929 with me, because I was going to suggest that we could do that in order to save time.

Sir Eugene Fiset: Two great minds work together.

Sir Henry Thornton: Gentlemen, I will ask Mr. Fairweather who prepared this analysis to proceed to read it. Has everyone a copy? If not, we have several here. With your permission, if it is agreeable gentlemen, Mr. Fairweather will read the analysis.

Mr. Fairweather: Analysis of 1930, results of operations as compared with 1929.

The presentation of the Canadian National Railways accounts for 1929 excluded the operations of the Central Vermont Railway, because this company was in receivership, resulting from disastrous floods in 1927. As the receivership terminated January 31, 1930, the results of the Central Vermont Railway for the 11 months, February to December, have been included in the 1930 accounts of the Canadian National Railways. For the purpose of comparison, the 1929 accounts have been re-stated to include the Central Vermont Railway for the corresponding 11-month period in 1929.

In accordance with the Maritime Freight Rates Act of 1927, the income statement of the lines east of Levis and Diamond Junction (Eastern Lines) is shown separately in the annual report, but a consolidated income statement including the operations of these lines is also shown on page 55 of the report.

Sir **Eugène Fiset**: At this point, sir, may I call your attention to the fact that when the Minister of Finance introduced his estimates, he also brought down Bill No. 25. The same resolution that introduced the estimates into the House of Commons—which has always been adopted—covered Bill 25, which are the estimates in the new form submitted by the Department of Railways and Canals to cover the eastern lines. Therefore, these estimates are before this committee, and there is no objection whatever, if Sir Henry and his officials desire, to give us the proposed expenditure as far as eastern lines are concerned. There is nothing to prevent these estimates being brought down at the present time.

Mr. **Chairman**: I may say these have never yet been referred by the House to the committee.

Sir **Eugène Fiset**: And they will not be referred except in the form of a bill. These estimates were approved on the general resolution introduced by the Minister of Finance, when he introduced his Supply Bill, which is contained in the estimates. That is exactly what the Prime Minister stated yesterday in the House in answer to my question, that the estimates of the eastern division of the Canadian National Railways were before this committee, and therefore there was no objection whatever to our proceeding with it. Therefore, if Sir Henry can possibly give us in advance the requirements as furnished last year, as far as the eastern division is concerned—

The **Chairman**: All I can say in reply to General Fiset, is this, that the order of reference says that these amounts shall be referred to us, and as far as I know this has not yet been done.

Sir **Eugène Fiset**: The usual procedure in the past, sir, has been, the Minister of Railways introduced a resolution in the House, and that resolution was in the Supply Bill, the estimates, that was produced before the House and submitted to this committee informally. There is no other way. Once it has been considered in the House, it comes before the committee. This year the procedure is different, owing to this fact, the resolution introduced by the Minister of Finance provided for $68,000,000 for the whole of the capital expenditure of the Canadian National Railways for the present year. Secondly, the Minister of Railways has introduced a bill, and this bill was introduced in the form of a general resolution. I am not quite sure, sir, that we are in a position to discuss it, but that is what I want to find out.

The **Chairman**: I can only repeat what I said a moment ago, that last year it was ordered that the estimates of the Canadian National Railways, and Canadian Government Merchant Marine be laid on the table of the House, and that they be referred to the committee.

Sir **Eugene Fiset**: I quite agree, but what I should like to call your attention to is that the procedure this year is completely different from the procedure adopted last year. Last year the estimates were submitted to this committee in the form of estimates, and this year the estimates of the Canadian National Railways are submitted to this committee in the form of two bills. That is where the difference comes in; and one of the bills has been introduced on the general resolution when the Supply Bill was brought down by the Minister of Finance. That general resolution includes the estimates of the different departments. That is Bill No. 25, and it concerns the eastern division of the Canadian National Railways.

The **Chairman**: And you will remember at our first meeting the Minister of Railways told you he was waiting for the bill to get through in order to make this complete.

Sir **Eugene Fiset**: And another thing, sir, there are three different bills—

The CHAIRMAN: I am not going to make a decision that is going to put us in wrong. We were told by the Minister the other day that it was necessary to get the bill through the House. We have lots to do, and let us go on with the work we are doing and we will not lose any time.

Mr. HANSON: We have been assured that ultimately they will come before us.

The CHAIRMAN: Let us go on with the business we can legitimately go on with. I may be wrong, but I am acting in accordance with my advice.

Mr. FAIRWEATHER: The income statement of the Canadian National Railways, which is prepared in accordance with the accounting rules of the Dominion Bureau of Statistics, will be found on page 17 of the annual report, with supporting schedules of the detail of revenues and expenses on pages 18 to 22. The discussion of the income statement in this pamphlet follows the order of accounts as set out on page 17 of the annual report. Railway Operating revenues, Railway Operating expenses and Net revenue from railway operations are first discussed in a general way on pages 1 to 3 of this pamphlet, followed by a detailed analysis of the supporting schedules of revenues and expenses on pages 4 to 12. The more important items of the remainder of the income statement are discussed on pages 12 to 14.

Mr. HANSON: In reference to the statement in the first part of that paragraph, "the income statement of the Canadian National Railways, which is prepared in accordance with the accounting rules of the Dominion Bureau of Statistics." Is this new?

Mr. FAIRWEATHER: No, sir. May I explain?

Mr. HANSON: Do please.

Mr. FAIRWEATHER: The Dominion Bureau of Statistics has charge for the government of railway statistics of Canada, and they have adopted as their standard, for the preparation of statistics and results of operation the Interstate Commerce Commission method. The Board of Railway Commissioners also have accepted the Interstate Commerce Commission methods as being appropriate. It is just a question of the two bodies having done the same thing.

Mr. HANSON: Then, I am to understand, it really is the Interstate Commerce Commission system of accounting that you set out here.

Mr. FAIRWEATHER: Yes. That is clear to you?

Mr. HANSON: Yes.

Mr. FAIRWEATHER: The discussion of the items of the income statement for the eastern line appears on pages 15 to 18 of this pamphlet:

> Railway Operating Revenues, Railway Operating Expenses, Net Revenue from Railway Operations:
>
> Railway Operating Revenues of the Canadian National Railways for 1930 were $221,770,445, as compared with $267,993,497 in 1929, a decrease of $46,223,052 or 17·25 per cent. Railway Operating Expenses decreased $25,915,965 or 11·72 per cent, leaving a net revenue from Railway Operations of $26,510,938, as compared with $46,818,025 in 1929, a decrease of $20,307,087.

An Hon. MEMBER: You make a statement there that the railway operating revenues for 1929 are $267,993,000, whereas the 1929 report shows $259,878,000.

Mr. FAIRWEATHER: That is explained in the first paragraph. In 1930 the Central Vermont Railway has been included, and for comparative purposes the 1929 accounts have been restated to include it.

> The decline in railway earnings, which commenced in the fall of 1929, continued throughout the year 1930, paralleling the experience of practically all railways on the North American Continent. The extent

of this decline is strikingly shown by a comparison of the Canadian National with that of a number of the principal railroad systems on the North American Continent.

	Per cent Decrease in Gross Revenue 1930-1929
Canadian National Railways	17.25
New York Central Lines	18.75
Pennsylvania R.R.	15.86
Canadian Pacific Railway	14.94
Northern Pacific Railway	16.45
Great Northern Railway	16.63
Chicago & North Western Railway	15.96
Atchison, Topeka & Santa Fe Railway	16.48
Average of all Class 1—U.S. Railroads	16.00

An Hon. MEMBER: That includes the Canadian Pacific Railway and Canadian National Railway, that average.

Mr. FAIRWEATHER: No, they are not United States roads—that table simply indicates in a general way the decline in gross revenue was practically the same as most railways in North America.

Mr. KENNEDY: Was that fall in revenue general in all lines of freight?

Mr. FAIRWEATHER: Yes, I should say yes. The answer is in the affirmative but it calls for more data which will appear in this pamphlet.

An Hon. MEMBER: Would not the fall in transport in grain account most largely for your fall?

Mr. FAIRWEATHER: If you wait you will find that will appear later on.

Mr. DUFF: Before you go on could you give the percentage of decrease in revenue on the C.P.R. and Canadian National and the average on American roads?

Mr. FAIRWEATHER: That is what I am giving now. The decreased percentage on the Canadian Pacific Railway and the Canadian National and the average on Canadian roads. Do you mean to take the average of just the railways that have been enumerated?

An Hon. MEMBER: Yes, outside the C.P.R. and Canadian National.

Mr. FAIRWEATHER: They will probably come to the same thing.

Sir HENRY THORNTON: And this figure of 16 per cent average of all Class A railways in United States, and that includes all railways enumerated in the Table, and there are a number of others—we could have included them but it would take too long.

An Hon. MEMBER: What is that of the C.P.R. and Canadian National.

Sir HENRY THORNTON: The Canadian National is 17·25 and the C.P.R. 14·9.

Mr. DUFF: Do these figures include anything in connection with the Canadian Marine Service.

Mr. FAIRWEATHER: No.

Sir HENRY THORNTON: It shows the condition as prevalent all over the American continent.

Mr. FAIRWEATHER:

RAILWAY OPERATING EXPENSES

Every effort was made to reduce operating expenses, consistent with proper maintenance of the property, safe operation and adequate service. It was also essential to have a due regard to such factors as the future accumulation of deferred maintenance resulting from too drastic a retrenchment policy, the responsibility of the company with regard to service to the public at large and an obligation to a large number of old and loyal employees of the company.

Approximately 66 per cent of the total operating expenses vary directly with the traffic handled; it is apparent, therefore, that the reduction in expenses would not be as great as the reduction in revenues. With a decrease in revenues of 17·25 per cent, it might be expected that expenses would be reduced by 66 per cent of this decrease, or 11·4 per cent. Taking all factors into consideration, the reduction in operating expenses of 11·72 per cent may be considered satisfactory, particularly when compared with those of the other larger railways as follows:—

	Per cent Decrease in Operating Expenses 1930-1929
Canadian National Railways..	11.72
New York Central Lines..	14.53
Pennsylvania R.R..	12.73
Canadian Pacific Railway..	15.69
Northern Pacific Railway..	11.08
Great Northern Railway..	12.43
Chicago & North Western Railway..	12.31
Atchison, Topeka & Santa Fé Railway..	10.05
Average of all Class 1—U.S. Railroads..	12.83

NET REVENUE FROM RAILWAY OPERATIONS

With such a serious decline in gross revenues, it is to be expected that, even with a judicious curtailment of operating expenses, net revenue would be adversely affected. Here again the decrease in net revenue of the Canadian National, amounting to $20,307,087 or 43·37 per cent, is parallel to the experience suffered by other large railways on the continent, as indicated by the following:—

Mr. KENNEDY: Why is it possible for the C.P.R. for instance to reduce or decrease expenses to greater extent than the Canadian National railroad.

Sir HENRY THORNTON: The answer to that is this: The Canadian Pacific Railway has been established as a going concern and as a first class railway, and one of the justifiable boasts of the Canadian Pacific Railway has been that it has always maintained its property and its high character of maintenance that has continued for several decades. Consequently, and I am presuming this because I am not aware of the actual policy of the C.P.R., but consequently they have a much greater reserve in the condition of the property than we have and consequently when the time came to apply economies I suppose they felt they could take more out of their property and more out of their maintenance than we could on account of their condition.

Mr. HANBURY: The Canadian National Railway had continued in their service employees that the Canadian Pacific Railway had displaced.

Sir HENRY THORNTON: There again is a matter of policy. We have built a number of locomotives and freight cars in our own shop in order to give employment to our own men and who under ordinary circumstances we would have let out. I do not know whether the Canadian Pacific Railway followed that policy or not, but that is one thing we did. Another factor, and I say it quite frankly, we were owned by the government of Canada and to discharge a large number of employees would be merely to transfer the burden of their maintenance onto the community and then onto the province and then onto the government.

An Hon. MEMBER: That was the policy of the government in 1930.

Sir Henry Thornton: Yes. This depression in 1929 we saw coming, and I had to go to the government of the day and say we can do one of two things, to dismiss men and reduce our expenses or we can pursue a course of reasonable prudence to try as far as we can to keep those men at work without adding to our expense. After all the government of the day speaks for the people of Canada as to what course we should follow, and I was asked what course I would recommend and I said I thought the sound policy was to keep as many of our men in employment as possible without adding unreasonably to the expense of the company. How far that would go was a matter of judgment and for technical officers to decide, and that is the course we followed, and as I look back I think it is a wise course.

Mr. Duff: Have you kept on the same rate of wages as last year.

Sir Henry Thornton: Yes. There has been a certain falling off due to the falling off in traffic.

Hon. Mr. Euler: Would you say relatively how they worked out.

Sir Henry Thornton: I cannot say that I could answer that—I do not want to say I am critical of the C.P.R.

Mr. Hanson: The C.P.R. reduction was 3·97. It is a well known fact when the grain crop was not going to move the Canadian Pacific Railway laid off every extra gang. And you have stated the policy of the Canadian National with the co-operation of the government made that difference of 3·9 per cent, that is due to the company holding that policy. Would that account for it.

Sir Henry Thornton: It measurably accounts for it but you have to take this into consideration, the Canadian Pacific Railway has large reserves of property, built up during a period of years, and they were in a position to use those reserves in whatever way they thought wise. But we had no reserves, and furthermore our accounts are subject to inspection and every detail of our expenditure as shown in our annual report is inspected.

Hon. Mr. Euler: All these figures of course are based on figures from your accounts, and are these accounts audited by independent auditors responsible to the government.

Sir Henry Thornton: Not these figures that we are giving in comparison with other railways—they have not been audited by outside auditors—they are figures from our own accounting department, but every item of our expense and every item chargeable to capital as shown in our annual report are audited by a firm of chartered accountants. I think every railway on the north American continent really do employ chartered accountants which certify to figures in their annual report, and these figures by way of comparison are drawn from their reports. Anyone can determine the correctness of these figures if they chose to question them.

Mr. Hanson: We are presuming that these figures are correct.

Sir Henry Thornton: We are proceding on the presumption that when a railway company presents a report that it is an honest report.

Sir Eugene Fiset: I take it that the figures you have with regard to United States are based on accounts audited by independent auditors—is the same thing true as regards the Canadian National Railway.

Sir Henry Thornton: They are audited by an outside firm of chartered accountants, George Touche and Co.

Mr. Beaubien: Is the auditing given out by contract.

Sir Henry Thornton: It is given to outside firms.

Mr. Beaubien: Is the difference much greater in manufacturing locomotives in your own shops than by giving the work out to others.

Sir HENRY THORNTON: No we are saving money by building them in our own shops, then you come to the question of how much is to be charged against plant and equipment. We already have plant and equipment and could not get rid of it, and it is better to make use of it, but as far as the actual cost of construction is concerned, I may say we are not suffering by building in our own shops instead of letting the work out. The reason we do not let the work out is that in times of great prosperity our shops are fully employed in repair work, but now comes a time when repair work has fallen off because we are not using the equipment as in times of prosperity and we have no repair work and we have to choose between dismissing those men or keeping them employed.

Mr. BEAUBIEN: In other words you are building locomotives at no greater loss than giving the work out by contract and at the same time you are keeping the men employed?

Sir HENRY THORNTON: That I think is a correct statement.

An Hon. MEMBER: How many men are employed in this work.

Sir HENRY THORNTON: It is pretty hard to answer that question accurately—perhaps Mr. Hungerford could say.

Mr. HUNGERFORD: I do not think it possible to answer that correctly, because the men are employed partly on regular work and partly on repairs. We might get it from the wages list and that is all.

Sir HENRY THORNTON: I think what Mr. McGibbon wants to find out is, is a substantial amount of their time being spent on labour of this sort, and I should say yes.

An Hon. MEMBER: What has this capital expenditure to do with increased operating expenses?

Sir HENRY THORNTON: The capital expenditure only creeps into this in reference to the whole employment situation. Ordinarily there is a reason for a railway to build its locomotives by outside contracting firms. They buy a lot of material and we get the hauling of it, and even should it cost rather more it is a better proposition; but, in times of depression our feeling was to have regard for our men who were employed on the railway for 15 or 20 years.

The CHAIRMAN: Will any gentleman who wants to ask a question stand up. My reason for asking this is that when two men speak at a time, it is difficult for the reporter to get the names.

Mr. HANBURY: My point is in connection with the construction of engines, that would have no relation to these items I would say if the difference in the ratio is to be explained it is the men employed on the right-of-way and maintenance rather than those engaged in the construction of engines.

Sir HENRY THORNTON: I do not know quite what you want to develop, but I think you are substantially right in what you say.

An Hon. MEMBER: Is it not true the policy of the Canadian National Railway is to employ men to build up your equipment.

Mr. BELL: Is it that during periods of depression the policy of privately owned railways is simply to employ men as they require them—is that true?

Sir HENRY THORNTON: I cannot speak for the policy of the Canadian Pacific Railway but all I can say is that here is a period of depression and unless we find work for our men they would be destitute and seeing it did not cost any more to build new cars in our own shops we thought we owed our first obligation to our own men.

Mr. HEAPS: They could have done the same thing as a private company and laid off large numbers of men from the Atlantic to the Pacific and possibly those let out would be a charge of the government and in this way it perhaps shows a larger expenditure.

Sir Henry Thornton: I can only explain that that represents the policy of the government and furthermore there is something to say in favour of trying to keep the shop-workers together instead of letting them scatter, and sometimes you cannot get them back when you want them.

Mr. Fraser: The primary object I take it is to effect repairs and would not the construction of locomotives entail extra capital for extra machinery.

Sir Henry Thornton: I do not think so to any appreciable degree.

Mr. Hackett: As suggested you say it would have an effect on the unemployment situation.

Sir Henry Thornton: I think so.

Mr. Hackett: Is it conceded that this equipment is built in Canada and if built in your shops it displaces employment that would be given in other Canadian shops.

Sir Henry Thornton: That is undoubtedly the situation.

Mr. Hackett: So it has no effect on the unemployment situation as a whole.

Sir Henry Thornton: Simply this, that we felt our first obligation was to be given our own men.

Mr. McGibbon: Rightfully or wrongfully it results in a decrease in the percentage.

Sir Henry Thornton: I do not know how the reports of the Canadian Pacific Railway were made up but the annual report of the Canadian Pacific Railway gives some details but not much, and I do not criticize them at all. But you must remember that company must have accumulated reserves and they are perfectly entitled to use those reserves in any way they like. We have no reserves. I do not know whether their accounts reflect the situation accurately or not but they had reserves and we did not.

Mr. McGibbon: They paid all operating expenses and paid 5 per cent on their capital.

Sir Henry Thornton: I do not know but presumably they did or they would not have paid a dividend.

Mr. Beaubien: The question of making locomotives in your shops has not changed the unemployment situation. Take a shop here, if you had that somewhere else would not it have created a situation in Winnipeg where these men would not have gone.

Sir Henry Thornton: If you did not employ men at this Transcona Shop they would not get work at all.

An Hon. Member: A good many of them could not move.

Sir Henry Thornton: A good many of them are moving on freight trains.

Mr. Heaps: I might say that in 1929 or 1930 I was one of the delegates that went to the C.P.R. to ask that company to keep on men who otherwise would be recipients of public relief, and a large number did become recipients of help from the city of Winnipeg and the city of Winnipeg felt an injustice had been done the men and they billed that company for the relief given them.

The Chairman: It is now 1 o'clock. I have a telegram here from the Minister of Railways saying:

> Due to my brother's dangerous illness I cannot be at the meetings this week, but go ahead anyway and ask the Prime Minister to advance the bills to committee.

So I think I am still right in my contention. We will meet to-morrow at 11 o'clock but not on Friday.

The Committee then adjourned until 11 o'clock to-morrow.

SESSION 1931

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

WEDNESDAY, JUNE 10, 1931

WITNESSES:

Sir Henry W. Thornton, K.B.E., President of the Canadian National Railways.

Mr. S. W. Fairweather, Director, Bureau of Economics, Canadian National Railways.

Mr. R. C. Vaughan, Vice-President, Purchasing and Stores Department, Canadian National Railways

Mr. R. L. Burnap, Vice-President, Traffic Department, Canadian National Railways.

OTTAWA
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PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1931

ORDER OF REFERENCE

WEDNESDAY, June 10, 1931.

Ordered,—That the following Bills be referred to the said Committee:—

Bill No. 79, An Act respecting the Canadian National Railways and to authorize the provision of moneys to meet expenditures made and indebtedness incurred during the calendar year 1931.

Bill No. 83, An Act respecting the Canadian National Railways and to authorize the guarantee by His Majesty of securities to be issued under the Canadian National Railways Financing Act, 1931.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

MINUTES OF PROCEEDINGS

WEDNESDAY, June 10, 1931.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government met at 11 a.m. Hon. Mr. Chaplin, the Chairman, presided.

Members present: Messrs. Beaubien, Bell (*St. Antoine*), Bothwell, Cantley, Chaplin, Duff, Euler, Fraser (*Cariboo*), Geary, Gobeil, Gray, Hanbury, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, Stewart (*Lethbridge*).

The Chairman announced the receipt of a number of written questions and promised to have them tabulated for the next meeting of the Committee.

The Committee resumed consideration of an "Analysis of 1930 Results of Operation as compared with 1929," commencing at the bottom of page 2. Numerous questions were asked respecting coal and freight rates. Sir Henry Thornton was assisted in his replies by Mr. Vaughan, Vice-President, Purchasing and Stores Department, and by Mr. Burnap, Vice-President, Traffic Department.

By permission of the Committee, Mr. Smith (*Cumberland*), M.P., Mr. Hackett, M.P., Mr. Nicholson, M.P., and Mr. Pickel, M.P., asked questions.

The Committee adjourned until Thursday, June 11, at 11 a.m.

JOHN T. DUN,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons, Room 231,

Wednesday, June 10, 1931.

The Select Standing Committee on Railways and Shipping met at 11 o'clock, a.m. Hon. Mr. Chaplin, the Chairman, presided.

The **Chairman**: I was waiting a moment for the Minister to come in, but he will be along later. We can start where we left off yesterday, which was in the analysis of operations on page two. I may say I have received a number of questions and if there are any more that members desire to ask, they may do so. If a member desires to ask a question, he has the right to do so. These questions will be tabulated for the next meeting, and I shall furnish the questions to the management and we will decide what ones will be answered, and what ones will not be answered.

Sir **Henry Thornton**: Mr. Chairman, we stopped yesterday at the end of the table at the bottom of page two, and if it is agreeable to you, we will continue with the paragraph at the bottom of page two entitled "Net revenue from railway operations."

Mr. **Fairweather**: With such a serious decline in gross revenue, it is to be expected that, even with a judicious curtailment of operating expenses, net revenue would be adversely affected. Here again the decrease in net revenue of the Canadian National, amounting to $20,307,087 or 43·37 per cent, is parallel to the experience suffered by other large railways on the continent, as indicated by the following:—

	Per cent Decreas in Net Revenue 1930-1929
Canadian National Railways	43.37
New York Lines	31.14
Pennsylvania R.R.	24.01
Canadian Pacific Railway	12.32
Northern Pacific Railway	31.05
Great Northern Railway	24.70
Chicago & North Western Railway	26.64
Atchison, Topeka & Sante Fe Railway	31.05
Average of all Class 1, U.S. Railroads	24.02

The comparatively larger percentage decrease in Canadian National net revenue is due to the operating ratio of the Canadian National being normally about ten points higher than the other railways. It is fundamental that the net revenue of a railway with a high operating ratio is much more vulnerable to declining traffic than one with a low operating ratio. For example, a railway with an eighty per cent operating ratio, which suffered a decrease of 15 per cent in revenues and the reduced expenses by 10 per cent, would experience a decrease in net revenue of 35 per cent. On the other hand, a road with a 70 per cent operating ratio and an identical percentage decrease in revenues and expenses would suffer a net revenue decrease of 26 per cent. It must not be assumed that the higher operating ratio of the Canadian National reflects a lower operating efficiency; the true cause is found in the considerably lighter density of traffic on the Canadian National, a generally higher price of materials, particularly of coal, with practically the same wage scale as the U.S. roads.

Mr. Heaps: I wonder if we could have an explanation of the paragraph at the top, there.

Sir Henry Thornton: Yes. Excuse me. Were you going on, Mr. Heaps?

Mr. Heaps: Yes. It states here, for instance, in the last part of the paragraph, "The true cause is found in the considerably lighter density of traffic on the Canadian National, a generally higher price of materials, particularly of coal, with practically the same wage scale as the U.S. roads." I would just like some one to explain to me what is meant by that sentence.

Sir Henry Thornton: The general statement is, that we pay rather more for most of the materials which we use, particularly coal than most railways with which we are making a comparison. Now I suppose you would like some detail as to just what that amounts to?

Mr. Heaps: I would.

Sir Henry Thornton: Mr. Chairman, Mr. Vaughan, vice-president in charge of the purchasing and stores department is here, and perhaps he could give Mr. Heaps light on the question he has asked.

Mr. Vaughan: In comparison with the United States railways?

Sir Henry Thornton: Yes.

Mr. Vaughan: We do not pay any more in Canada than the Canadian Pacific Railway does, but nearly everything we use in Canada is based upon United States prices plus a certain amount of duty.

Sir Henry Thornton: That may give the impression that we are buying largely material from the United States. As a matter of fact, I think you will be able to say that we buy perhaps a great percentage from Canada.

Mr. Vaughan: Yes; ninety-five per cent of all material that we buy, outside of coal is manufactured in Canada. Coal is a big item and in the United States to-day you are able to buy coal for anything you want to pay for it, from ninety cents to one dollar and ten cents per ton, whereas in Canada we have to pay four times as much.

Mr. Heaps: I did not quite get that last statement.

Mr. Vaughan: In Canada we have to pay three or four times what coal costs the railways in the United States.

Sir Henry Thornton: The average price of coal per ton paid by the United States railroads, class 1 railroads, with which we are concerned, is $2.34 a ton: the average price of coal to the Canadian National Railways is $4.31 a ton.

Mr. Heaps: May I ask—

Sir Henry Thornton: That means a difference of $9,000,000.

Mr. Hanbury: Five million dollars?

Mr. McGibbon: This statement only applies to American roads, it does not apply to the Canadian Pacific Railway?

Sir Henry Thornton: I do not know what the price of coal on the Canadian Pacific Railway is. I can just say in making a general comparison with respect to the American railroads, that the comparison I have just given relates to American railroads only. I do not know what the average price of the Canadian Pacific Railway coal is.

Mr. Vaughan: It is approximately the same as ours.

Sir Henry Thornton: Have you any other questions, Mr. Heaps?

Mr. Heaps: No, I think that answers the question.

Mr. Beaubien: Would the freight haul on coal that you buy from the United States be higher on the Canadian National than it is on American roads?

Sir HENRY THORNTON: Let me see if I understand your question. Is your question this? Supposing, without regard to the employment of Canadian coal we bought our coal in the cheapest available market, what would be the difference in cost to the Canadian National. I cannot answer that off-hand, but we can probably have it for you. Can you get that for Mr. Beaubien, Mr. Vaughan?

Mr. VAUGHAN: Yes, we can. Generally speaking of course, we use a good deal of Canadian coal to our disadvantage so far as price goes; that is to say, if we used American coal in the same territory, we could save a great deal of money, but how much I would not care to answer.

Sir HENRY THORNTON: Can we get the answer to the question that has been asked even if only approximately?

Mr. VAUGHAN: Yes. Of course, the haulage on our line is a great factor and it would be a rather difficult question to answer.

Sir HENRY THORNTON: May I take a note of that question to see how nearly we can come to answer it?

Mr. HANBURY: Do I understand that considerable coal is imported from the United States into Canada for the use of the railways?

Sir HENRY THORNTON: Yes, in the central region last year we imported 2,319,000 tons of coal from the United States, roughly speaking, and that coal was mostly used, if not entirely so, from about Brockville to the head of the lakes.

Mr. BOTHWELL: How much coal did you use altogether?

Sir HENRY THORNTON: 4,728,000 tons.

Mr. VAUGHAN: I think that figure you gave includes American coal used on the United States lines as well.

Sir HENRY THORNTON: That figure I gave you includes also coal used on our lines in the United States. I have not got them separate, but I expect we can separate them.

Mr. VAUGHAN: The amount of coal used on Canadian lines imported from the United States was 1,658,992 tons.

Sir HENRY THORNTON: That is the answer to the question that you really want. Is there any other question?

Mr. GOBEIL: What is the explanation for the very high difference between the gross decrease in the gross revenues of the Canadian National Railway, 17.25 per cent and the Canadian Pacific, 14.94 per cent, with the net revenue decrease of 43.37 per cent in the Canadian National Railway, and 12.32 per cent in the Canadian Pacific Railway?

Sir HENRY THORNTON: May I just ask if you are referring to the table at the bottom of page two?

Mr. GOBEIL: At the head of page two.

Sir HENRY THORNTON: I think your question was what was the explanation for the decrease in net revenue of 43.37 100 on the Canadian National as compared with railways underneath; is that your question?

Mr. GOBEIL: No, not exactly, I meant what was the explanation for the difference between the Canadian National and the Canadian Pacific.

Sir HENRY THORNTON: In other words, our net revenue decreased 43.37 100 and the Canadian Pacific Railway net revenue decreased 12.32 per cent, and you would like to ask—

Mr. GOBEIL: Compared with the gross revenue, which is only two points.

Sir HENRY THORNTON: Why, the answer to that is this: the Canadian National Railway system as compared with the Canadian Pacific Railway, is relatively a new railway; it may be regarded in many respects as a development railway, which is another way of saying that over a large part of our mileage, more particularly in the west, development has not grown up to the railway, which is just another way of saying that our density of traffic, that is, the gross revenue per mile is materially less than that of the Canadian Pacific Railway. I will just give you that figure in a moment. The traffic density on the lines of the Canadian Pacific Railway are about eleven per cent greater than on the Canadian National Railway. In other words, we have a larger mileage than the Canadian Pacific with less traffic per mile to our own, on the average. The most efficiently operated railway is obviously the railway with the least mileage and the largest traffic, and your protential efficiency always varies with the density of traffic.

Mr. Geary: Would your line suffer from what I might call, lack of co-ordination of those different parts, to-day?

Sir Henry Thornton: Well—

Mr. Geary: To the same extent as formerly?

Sir Henry Thornton: Well, I think you referred to that two or three years ago, if I remember correctly; and it is a fact that the Canadian Pacific Railway from its inception to the present day was built as one integral unit, each addition to the property was added for the purpose of supporting and contributing to the whole, and it represents to-day a skilfully laid out system to operate as efficiently as possible. The Canadian National Railway system, on the other hand, represents a combination of the old Grand Trunk system, the Intercolonial, the Transcontinental, the Grand Trunk Pacific, and the Canadian Northern. In most cases, those railways were built—

Mr. Geary: None of which was built to function with the others.

Sir Henry Thornton: In most cases those railways were really built originally to compete with each other instead of to support each other, and that always creates a difficult situation, and one which is not conducive to efficient operation. In time, as population is added to the country, and as traffic increases and the country develops, that will become a vanishing factor.

Mr. Hanbury: There must be some justification for the importation of such large quantities of coal into Canada when we have coal mines that are not able to operate through lack of business. I should like very much to know that.

Sir Henry Thornton: That is again a matter of drawing the line between how much we are going to add to our expenses to use nothing but Canadian coal, and how much we are going to reduce our expenses by importing coal. There are two schools of thought, probably one extreme is that we should exclude all foreign coal and use nothing but the Canadian product. If we did that it would add several million dollars to our expenses. On the other hand, if we went to the other extreme and bought our coal in the cheapest market, we would probably save several million dollars, but again it would result probably in bringing a great deal of distress to our Canadian mines that are already open. Generally speaking, the policy of the company has been to use coal mined in the Maritimes as far west as Brockville or thereabouts. Through Ontario, from Brockville to the head of the lakes, and sometimes, but not frequently, as far west as Winnipeg, to use coal which comes from the United States, short haul coal from the coal fields of Pennsylvania and Virginia into Ontario. From the head of the lakes or Winnipeg west to Edmonton or Jasper we use exclusively western Canadian coal. From Jasper to the Pacific coast we use a combination of fuel oil and coal. Now then, that is the policy that we have followed. It may be attacked from either point of view; it depends upon what your view is. As far as the railway management is concerned, we felt that in pursuing the policy that I have outlined in using Canadian coal within the areas that I have named, we were probably pursuing a course which was reasonable from every point of view.

Mr. HANBURY: Do you know if the Canadian Pacific Railway also imports large quantities of coal?

Sir HENRY THORNTON: I do not know. Mr. Vaughan, do you know?

Mr. VAUGHAN: Yes, they do. I do not think they use the same quantity of Canadian coal that we do, particularly in regard to Nova Scotia coal, because they do not serve the Nova Scotia mines.

Mr. HEAPS: May I ask if the figures that were submitted were those of the Canadian lines and did not include consumption of lines in the United States?

Sir HENRY THORNTON: The figures I gave you, in which I said we bought 2,319,000 tons of coal from the United States included coal consumed on our American lines.

Mr. HEAPS: It figured out to 600,000—

Mr. VAUGHAN: We bought last year in the United States, 1,658,992 tons of coal for Canadian lines.

Sir HENRY THORNTON: That is really the point Mr. Heaps wants, I think.

Mr. HEAPS: Yes.

Mr. VAUGHAN: And we used 2,400,000 tons of Canadian coal.

Sir HENRY THORNTON: Does that answer your question, Mr. Heaps?

Mr. STEWART: From what part of the country do you get this western coal?

Sir HENRY THORNTON: Mostly Alberta.

Mr. STEWART: What part?

Mr. VAUGHAN: It comes from Alberta, some comes from the Mountain Park Coal Company, the Cadomin Coal Company,, the Luscar Collieries, the Sterling Coal Company, the Coal Valley Coal Company, and the Brazeau Collieries.

Mr. STEWART: You get none from southern Alberta?

Mr. VAUGHAN: None whatever.

Sir HENRY THORNTON: May we go on, Mr. Chairman?

Mr. HANSON: Before you leave the coal question, are you still operating that mine in Ohio?

Sir HENRY THORNTON: Yes.

Mr. HANSON: What does it cost you per ton to raise that coal as compared with the market price of coal in the United States?

Sir HENRY THORNTON: I think that perhaps in that connection you might like a general statement, or the committee might like a general statement with respect to what is known as the Rail and River Coal Company, if so, I would be glad to give it.

Mr. HANSON: I personally do not care, but I know there are members who do care.

Mr. VAUGHAN: Mr. Smith asked some questions in the House the other day and it was replied to very fully.

Mr. HANSON: I understand you did not tell him the price per ton.

Mr. VAUGHAN: Yes, sir, we did.

Mr. SMITH (*Cumberland*): In that connection I might say I am the person referred to, and those questions were not answered fully in my judgment, and I certainly would appreciate a statement from the president.

Sir HENRY THORNTON: Many years ago, the Grand Trunk Railway purchased what is known as the Rail and River Coal Company property, which is situate in South Eastern Ohio. That purchase was made for the purpose of bringing the coal supply and the price paid for that supply by the Grand Trunk Railway Company—

Mr. Heaps: What year was that, Sir Henry?

Sir Henry Thornton: It must have been prior to 1911.

Mr. Galloway: About 1908.

Sir Henry Thornton: These mines were bought for that purpose. I understand that the Grand Trunk company suffered materially, prior to 1908, because of the price of American coal that they were using, and also to ensure themselves getting an adequate coal supply to protect themselves they bought this property. Now, that may have been a wise policy for a private company at that time. Since I have been familiar with the Canadian National Railway system, we found this property on our hands. For a time it was closed down. The last few years the price of coal and the supply of coal in the United States has steadily decreased so that at the present time there is really no strategic reason for the retention of the company by the Canadian National Railway system, and the administration of the Canadian National system would have been glad to sell the property, and in fact, made some effort to do so, but because of the general depreciated price of coal in the United States, coal mining properties were not profitable, and consequently it was impossible to dispose of the property excepting at great sacrifice, which I did not feel we were justified in accepting; but so far as we were concerned, and so far as the administration of the Canadian National Railways goes, we would be perfectly willing to get rid of that property at any time we can come somewhere near getting our money out of it. Now, having the property—

Mr. Hanson: How much was the capital investment in the property?

Sir Henry Thornton: Do you know, Mr. Galloway?

Mr. Galloway: No, I do not know. Something over a million dollars.

Sir Henry Thornton: More than that. However, having the property, we concluded that the only thing to do was to try, as long as we had to buy a certain amount of coal in the United States for use in Ontario, and use the coal. We thought that it was better to make such use of that property as we could; and that represents how we got the Rail and River Coal Company, and why we are using it.

Mr. Heaps: Is it an economically operated mine?

Sir Henry Thornton: The cost per ton of coal raised by the Rail and River mine, is, all charges included, $1.26 per ton. I think, Mr. Heaps, that is the figure you wanted, is it not?

Mr. Smith: Will Sir Henry— if I may be permitted, Mr. Chairman, to speak, I am not a member of the committee—

The Chairman: You are permitted to ask questions.

Mr. Smith: What I want to ask Sir Henry is this; you informed us the cost of a ton of coal was $1.80—

Sir Henry Thornton: $1.26.

Mr. Smith: Whatever it is.

Sir Henry Thornton: Very close to $1.26 per ton.

Mr. Smith: Does that include all the charges and all the costs of the outlays in connection with the operation of this mine?

Sir Henry Thornton: That includes all costs of all sorts.

Mr. Smith: Including money that has to be paid by the Canadian National Railways for periods of idleness. According to the terms submitted it has cost the Canadian National Railways as high as $350,000 in one year for periods of idleness in connection with this mine.

Sir **Henry Thornton**: That includes all costs. In the last year the Canadian National received from this mine 1,697,400 tons of coal, and the cost, including overhead, and all other proper charges which belonged to that year was $1.26 per ton.

Mr. **Hanson**: You raised all the American coal you imported. Then, the figures are the same, one million and something.

Sir **Henry Thornton**: The investment in the Rail and River Coal Company is $2,080,000.

Mr. **Smith**: If the mine was only operating two or three months, or did not work two or three years, the average would be a little higher.

Sir **Henry Thornton**: Of course, sir, if we were not raising any coal. Yes, certainly, if we were not raising any coal in any one year, of course, the cost per ton would be something enormous.

Mr. **Smith**: In that connection, Sir Henry, the statement that is made as to the actual cost of the coal considering all charges—

Mr. **Heaps**: In each year.

Mr. **Smith**: —over a term of years or each year is what you have given us, is it? Could you give us the average for the last five years, sir?

The **Chairman**: I understand what is worrying you is this: you want to know, Mr. Smith, how those charges of $1.26 are made up, whether there is any capital charge in there for interest on investment, for example.

Sir **Henry Thornton**: That figure which I gave you of $1.26 per ton in 1930 includes all charges, capital, interest on capital, and everything else which properly enters into the cost of a ton of coal in that year.

Mr. **Hanson**: For that particular period.

Sir **Henry Thornton**: For that year.

Mr. **Vaughan**: That item also includes depreciation and every conceivable item which could be legitimately charged.

Mr. **Hanbury**: Have you the same information for the last five years?

Sir **Henry Thornton**: We have not got it, but we can get it.

Mr. **Hanbury**: I think that is Mr. Smith's question.

Sir **Henry Thornton**: We can get that. I do not happen to have it available at the moment, but it can be secured.

Mr. **Heaps**: Is it a non-union or union mine?

Sir **Henry Thornton**: The situation there is this: there was a strike some years ago, I do not quite remember the year, in the coal fields of the United States, and in this south eastern Ohio or Cambridge field, and we, of course, found our mines closed. We had nothing to do with the strike; it was a movement which was started by other miners, and all the miners went out. The mines were closed for some time, and there was a good deal of distress in the field, and a number of the mine owners of that area offered their miners work provided, as I understand it, they would sign an agreement upon returning to work that they would accept mine owners' wages, current wages in the field, and also obligate themselves not to associate themselves with any other unions. A number of mines were opened under those conditions, and we remained closed. Fnally, a number of our men came to us and asked us if we would re-open. We said. "Yes, we would re-open, and we would pay the current rate of wages in the field." We asked them to make no commitments whatever with respect to their trade unions and as far as I know each man may or may not belong to a union. At any rate, we offered no objections at all, and imposed no obligations upon any of our men returning to work with respect to their association with any unions. Now, I believe I am right, Mr. Galloway, in saying that in the last year, the mine owners in that area have still further reduced their wages, but we have made no reduction.

Mr. Galloway: We made a reduction a few months ago.

Sir Henry Thornton: We kept pace with the going rate in the field.

Mr. Galloway: That is right.

Sir Henry Thornton: As far as we are concerned, we do not care whether our men belong to unions or not. I have no objection to it whatsoever, and we impose no limitations.

Mr. Hanson: I gather from what you say that a man may or may not be a unionist, he is not obliged to belong to any union—

Sir Henry Thornton: He can do what he likes.

Mr. Hanson: It is an open shop, so to speak?

Sir Henry Thornton: Precisely.

Mr. Heaps: Have you a comparison of the wages paid the men there with the wages paid men in this country?

Sir Henry Thornton: Was your question Mr. Heaps concerning wages paid in other parts compared with those in Canada. I may say I have not got that but at the present time we are paying a basic rate of $4.00. In fact, all the mines in that region you refer to are paying a $4.00 basic rate. Now, there are some mines in south Eastern Ohio, the Sauters Coal Company, and others, that are paying from $3 20 to $3 60 a day those mines are a little further north than some of the others. Does that give the information?

Mr. Heaps: In part only. I do not suppose you have the information there, but I would like to get the wages paid in the mine.

Sir Henry Thornton: We can get that.

Mr. Heaps: Your statement is, it is comparable with your competitors in the same district.

Sir Henry Thornton: Yes, and the only difference is we impose no limitations with respect to membership in trade unions.

Mr. Geary: You gave it that $1.26½ is an economical operation—in other words—you could buy the coal from some person more cheaply.

Sir Henry Thornton: Possibly we could.

Mr. Geary: What is the average cost every year.

Sir Henry Thornton: I may say, Col. Geary, the cost of coal varies in different districts, depending on the labour charges and facility of mining. Those figures here compare favourably with cost of mines in the district.

Mr. Geary: That is not the point—can you buy it cheaply or get it as cheaply from your own mine as you could obtain it from another.

Mr. Vaughan: I do not know whether this should go on the record but I may say we do not use all our coal—we sell some coal to the Pennsylvania and the Baltimore and Ohio for 20 and 30 cents more than it costs us.

Mr. Geary: I am only wanting to know whether it is worth retaining this mine even at a sacrifice.

Sir Henry Thornton: If we could come near getting our money out of this mine by selling it we ought to sell it, but the trouble is coal mines are so unremunerative and the coal business in the United States at present is in such a chaotic state that it is almost impossible for any operator to get his money out of his mine. I believe if we could get our money out of this mine we ought to sell it, but I have not been able to get a purchaser to come anywhere near the specification.

Mr. **Geary**: In operating it from a business point of view, do you think you are doing the proper thing?

Sir **Henry Thornton**: Yes, we are getting more money out of it than if we were to sell it at present.

Mr. **Cantley**: I understand the figure of $1.10 is stated to include such charges as depreciation in machinery and so on—can you give the figures written off in respect to depreciation and amortisation?

Sir **Henry Thornton**: I can get it. You wanted a statement of how much is written off for depreciation of plant and exhaustion of mineral—for during what period?

Mr. **Geary**: Give the figures for last year.

Mr. **Fairweather**: Depreciation $83,453 and amortisation, $41,009—total, $124,462.

An Hon. **Member**: What does amortisation mean?

Mr. **Fairweather**: Amortisation means the depletion. It is worked out at 2·2 cents per ton.

Mr. **Cantley**: What is the total quantity of coal in that property?

Mr. **Vaughan**: There are 30,000 acres there—around 180,000,000 tons.

Col. **Geary**: How much is taken out a year?

Mr. **Vaughan**: There was 1,856,000 tons taken out last year and there are 175,000,000 tons left on the property.

Mr. **Hanson**: You must have had that figured out.

Sir **Henry Thornton**: We have it all here but it is just a little hard to answer offhand. The charge to depreciation and amortization is worked on a general accepted formula, and there is a very large amount of coal left on the area.

Mr. **Stewart**: Do I understand the policy of the railway is that they will not purchase coal from any part of the country that is not served by the railway. There is a shorter haul to Calgary than the north, and we want to get an opportunity of providing that coal.

Sir **Henry Thornton**: We have certain mines on our railways and naturally we take as large a proportion of their output as we can and if we did not do so it would cause a great deal of distress to the mine. The Canadian Pacific Railway pursue the same policy.

An Hon. **Member**: I am speaking of the Canadian Pacific Railway too.

Sir **Henry Thornton**: If we pursued the policy of buying coal from all over Canada irrespective of having it on our own railway we would find our own mines that are naturally looking to us for orders in a very bad financial condition. I do not know of any other answer to that, for we would also have to pay a freight charge to the C.P.R. for every car of coal we bought on other mines.

An Hon. **Member**: Supposing you could lay down coal cheaper in Calgary, what objection would there be to giving the people not served by your railway an opportunity of getting back some of the taxes they are paying.

Sir **Henry Thornton**: The answer is that our job is to look after our own mines and our own shipping first. If we pursued any other policy we would not get anywhere.

Mr. **Hanson**: Is there any complaint about that policy?

An Hon. **Member**: Why not be relieved of paying taxes?

Sir **Henry Thornton**: I think everybody would be glad of that. I do not know of any other way of handling it and if we pursued a different policy we would be in hot water.

An Hon. Member: In the interests of the country at large and considering the competitor's point of view, could not there be an exchange in the matter of coal.

Sir Henry Thornton: I do not think they would bite at that—at least, I would not.

Mr. Vaughan: We do not use much coal in the southern field and in the cost of coal we would have to pay freight to the C.P.R. and it is questionable whether the cost is any less at Calgary anyway. You do not think the C.P.R. buys coal from our mines when we have mines on our lines near Edmonton.

Sir Henry Thornton: It has been the policy of both companies and I do not see why there should be any departure from it.

Mr. Fairweather:

> The difference in traffic density is strikingly shown by the following comparison for the year 1930;—

	Canadian National Railways	Class I U.S. Roads
Freight- Ton miles per mile of road (thousands)..	829	1.758
Passenger—Passenger miles per mile of road (thousands).. ..	50	112

Sir Henry Thornton: That means that the traffic density of the Class I railways of the United States is more than twice that of the Canadian National.

Mr. Geary: What would account for the lesser traffic density?

Sir Henry Thornton: I would say it would mostly result from mileage built in the west and on the transcontinental.

Mr. Geary: I would say the transcontinental must have a very low density.

Sir Henry Thornton: Yes, quite a low density.

Mr. Hackett: Before we take up the question of railway operating revenue I would like to ask Mr. MacLaren—Mr. Euler said yesterday:—

> The statement was made in the House that if you disregarded the interest on the amount which had been advanced that the average deficit of eight years was about $12,000,000—is that correct?

and Mr. MacLaren answered that the income loss for that period was $85,854,568.72, a little over $10,000,000 of an average per annum,—now my question is this—has he taken into consideration in the first place the debit on eastern lines.

Mr. MacLaren: No, only up to June 30th, 1927.

Mr. Hackett: And what is the deficit up to that time.

Mr. MacLaren: The deficit up to that time, excluding government interest, $18,148,950.52.

Mr. Hackett: Will he also state what portion of a greater amount than $85,000,000 to which he made reference was charged to profit and loss.

Mr. MacLaren: $7,268,796.33.

Mr. Hackett: So, therefore, the deficit for those years including the item you gave is over $110,000,000.

Mr. MacLaren: $111,272,315.57.

Mr. Hackett: And that is after deducting the interest on the public debt of the country?

Mr. MacLaren: That is right.

Mr. Fairweather: Railway operating revenues read:—

> Turning now to a more detailed analysis of Railway Operating Revenues, the monthly variations and decreases in 1930, as compared with 1929, were as follows.

Sir **Henry Thornton**: I do not think you need to read that long item, it sets out the comparison of operating revenue each month for the past year. You might read the totals.

Mr. **Fairweather**: A comparison by Principal Revenue Accounts is as follows:—

	1930	1929	Decrease Amount	Decrease Per cent
Freight..	$ 163,859,421	$ 199,803,829	$ 35,944,408	18.0
Passenger..	27,536,654	33,125,162	5,588,508	16.9
Mail..	3,085,854	3,159,663	73,809	2.3
Express..	11,488,177	13,531,364	2,043,187	15.1
Telegraphs..	5,254,798	6,122,152	867,384	14.2
Other Revenues..	10,545,541	12,251,327	1,705,786	13.9
Total Revenue..	$ 221,770,445	$ 267,993,497	$ 46,223,052	17.2

Sir **Henry Thornton**: You might just read the decreases.

Mr. **Fairweather**: All commodity groups showed substantial decreases in tonnage carried, as indicated by the following:—

	Tons Carried 1930	Per cent of Total	Decrease from 1929 Tons	Decrease from 1929 Per cent
Products of Agriculture..	9,525,801	18.90	906,122	8.7
Products of Animals..	1,157,470	2.30	261,215	18.4
Products of Mines..	17,806,952	35.32	4,862,974	24.7
Products of Forests..	6,883,454	13.65	2,257,658	24.7
Products of Manufactures and Miscellaneous..	15,038,371	29.83	5,141,653	25.5
Total..	50,411,048	100.00	13,429,622	21.0

Mr. **Hanson**: Is it intended that we should discuss these at the end of this heading or as we go along.

The **Chairman**: It is up to you.

Mr. **Hanson**: I have no desire one way or the other, but I think there should be some discussion. It is a rather appalling situation to me and I am sure it is to the management.

Mr. **Fairweather**:

> Details of the figures shown above will be found on pages 32 and 33 of the Annual Report.
>
> Although there was a decrease in products of agriculture generally, Grain handlings on the Western Region showed a slight increase, the comparative tonnage being as follows:—

	1930	1929	Increase Amount	Increase Per cent
Grain Tonnage..	4,323,699	4,223,803	99,896	2.4

Mr. **Geary**: That is a surprise to me. You will remember the 1929 crop did not move. It moved during 1930 and you actually handled more western grain in 1930 than the year before and you are getting the same price per ton as you did the previous year.

Sir **Henry Thornton**: That is right. We are only discussing grain handled from the western region.

Mr. **Kennedy**: There was only half a crop in western Canada in 1929.

Mr. **Geary**: I am only speaking of the revenue decrease on freight handled in 1930—but what of the falling off in grain?

Sir **Henry Thornton**: There was a very heavy decrease in grain movement in Eastern Canada.

Mr. **Hanson**: All over. It began in the fall of 1929 as I recollect.

Sir **Henry Thornton**: You mean the depression.

Mr. Hanson: The failure to move the grain crop commenced in 1929.

Sir Henry Thornton: That is right.

Mr. Hanson: When you say East, what do you mean.

Sir Henry Thornton: I mean East of the head of the lakes.

Mr. Geary: If your Western grain increased in movement your decrease East of the Lakes would not affect the Western grain

Mr. Fairweather: A decrease in Eastern Canada of 638,000 tons of grain. I may say in 1930 the water borne movement of grain was more prominent than on the railway.

Mr. Hanson: What about the movement West to the Pacific? That increased.

Mr. Fairweather: Yes, West of the Great Lakes the grain had to move by rail and we participated in that movement, but once it got to the Great Lakes they had the option or choice to move it by water to Montreal or to the Georgian Bay ports, and then by rail. In 1929 there was a decrease in movement from Georgian Bay ports, because shippers found they could get cheaper movement by water.

Mr. Burnap: The grain tonnage for the company was 327,883 tons less than in 1929, a decrease of 2·96 per cent.

An Hon. Member: What would that amount to in money or decrease in revenue?

Sir Henry Thornton: We could probably work that out if you like.

Mr Geary: The point I am making is that West of the Great Lakes the revenue during 1930 did not suffer owing to the non-movement of grain.

Sir Henry Thornton: That is true, and if the general freight movement and the passenger service had reasonably kept up in the Western region it would have been on a favourable comparative basis with the previous year.

Mr. Geary: And as a matter of fact the products of manufacture decreased 25 per cent.

Sir Henry Thornton: That is right.

Mr. Geary: You suffered in your revenue east of the Lakes by reason of water borne transportation.

Sir Henry Thornton: Yes, we come directly in competition there and the rates suffer there and the volume of business suffer and the competition is more severe.

Mr. Geary: It is not a bogey. It is a real factor.

Sir Henry Thornton: Yes, and everybody recognizes that.

Mr. Geary: But the fact is that everybody does not recognize it.

Sir Henry Thornton: They ought to at any rate. However your statement is correct.

Mr. Geary: It is a factor—a real factor.

Sir Henry Thornton: Yes, it is.

Mr. McGibbon: Would not it be accounted for by a larger amount of grain held over from 1929 to 1930?

Sir Henry Thornton: We all know that unfortunately the grain crop in 1929 did not pursue its normal course that year and unquestionably what failed to move in 1929 certainly was held over until 1930 and moved in that year.

Mr. Hanson: Or partly moved.

Sir Henry Thornton: Yes.

Mr. Bell: Have you the figures about competing lines?

Sir Henry Thornton: No, we have not, Mr. Bell.

Mr. **Geary**: With the products of manufacturers decreasing by 25 per cent was involved some Western movement of manufactured products, but does the shipment to the West of manufactured goods take up enough space to provide empties to carry the grain East?

Sir **Henry Thornton**: Oh no, the troubles with the grain movement is this, first it is a seasonal movement, and second a one-way movement and in the third place we have to begin quite early in summer to distribute our cars to the various stations in the West. We have to guess at what the crop will be and we are generally wrong for it is pretty sure to be the opposite to what we prepare for.

Mr. **Geary**: You should prepare for it the other way and then you would be right.

Sir **Henry Thornton**: We have not got to that degree of blessedness yet, but you have a large amount of equipment and material idle until the grain moves, and it is a one-way movement, the cars have to be moved back for the next crop.

Mr. **Hanson**: Having regard to these factors are the present grain rates adequate?

Sir **Henry Thornton**: Well, can a duck swim? It depends on how you look at it. If you are looking at it from the point of view of railway revenue and you are simply separating the railway from the rest of Canada and regarding it as a business enterprise, the freight rates on grain are too low.

Mr. **Hackett**: How do they compare with the rates in the United States.

Sir **Henry Thornton**: They are about 25 per cent lower than in the United States. I think I am safe in saying this, that general freight rates on Canadian railway are about 10 per cent lower than the general run of freight rates in the United States. We made an estimate of that some time ago.

Mr. **Hackett**: In your testimony two years ago you said 15 per cent.

Sir **Henry Thornton**: Something like that.

Mr. **Hackett**: How much lower are they in regard to grain, which is the principal source of revenue from the West?

Sir **Henry Thornton**: Why, the general situation with respect to grain rates is this: our rates in Canada are approximately—and I can only speak from approximate figures, but I am not far wrong—about 25 per cent lower than they are in the United States for the same distance.

Mr. **Hanson**: With regard to grain?

Sir **Henry Thornton**: Grain. You asked a question about grain.

Mr. **Beaubien**: Is it not a fact that the earnings of the railway companies in Canada increase tremendously in the months of grain movement?

Sir **Henry Thornton**: Oh yes.

Mr. **Beaubien**: And is it not a fact that the operation of the western lines, where the bulk of the grain comes from, is cheaper, and also that there is less capital invested than there is in the eastern lines?

Sir **Henry Thornton**: Well, I do not think that that question can be answered immediately by "yes" or "no". I think probably if you took the total capital investment on the lines east of the head of the lakes, it would be rather more than west of the head of the lakes, but I am just speaking off-hand.

Mr. **Beaubien**: The impression seems to be going around the country that the railway companies are hauling our grain for nothing.

Mr. **Hanson**: No.

Sir **Henry Thornton**: No.

Mr. **Beaubien**: Or hauling it below the cost of hauling.

Mr. HANSON: No, nobody said that.

Mr. BEAUBIEN: Are not hauling it on a profitable basis, put it any way you like.

Sir HENRY THORNTON: Well—

Mr. BEAUBIEN: I would like this impression to be broadcast in Canada that I know by my information and the report of the railway companies for the last two years that the net revenues on western lines through the hauling of grain, have been greatly augmented, and it has been of great benefit to the Canadian National and the Canadian Pacific.

The CHAIRMAN: The earnings are always better when the crop is large.

Mr. BEAUBIEN: Another point I want to make is this; that from 1923 on, until the depression came along in eastern Canada, and of course western Canada contributed a certain amount, that the revenues of the railway were tremendous; that the Canadian Pacific Railway had made the largest revenue in its experience, due to the—

Mr. HANSON: In volume.

Mr. BEAUBIEN: In volume, if you like. I would like that impression to be broadcast in Canada.

Mr. McGIBBON: Sir Henry—

Sir HENRY THORNTON: May I just answer my friend. I do not want to be drawn into any discussion as to whether grain rates should be higher or lower. The question asked me was simply this; whether I thought grain rates were too high or too low.

Mr. HANSON: Relatively.

Sir HENRY THORNTON: I say it depends upon the point of view. If you are going to separate the railways themselves from all the rest of Canada and regard them as simply a business enterprise, no freight rate is sufficiently high; you naturally want to get everything you can. Now, when you come to consider the grain rates which are charged on the movement of grain, you have got to take into consideration whether or not the crop can be successfully marketed by the purchaser; and the plain fact is that it does not make any difference what the freight rate is, the western grain crop in the interests of the whole of Canada has to be profitably or at least, ought to be, profitably sold.

Mr. BEAUBIEN: May I ask you—

Sir HENRY THORNTON: All these questions have been determined by the Railway Commission. I want to make my position quite clear. I am not attacking in any way the present rates or anything at all, I am just answering that bare question.

Mr. BEAUBIEN: Perhaps we can get it this way. Are the railway companies hauling the grain from western Canada at a loss?

Mr. HANSON: Nobody ever said they were.

Mr. BEAUBIEN: It has been repeated in the house time and time again.

Mr. McGIBBON: Perhaps I can throw a little light on that. About 1923, or 1924, along somewhere in that period, there was a question asked by Sir Henry Drayton that was answered in the House of Commons, and it was disclosed that there was an adverse ratio on the return of grain. I am just mentioning this. I have no side in the matter, but that statement was made in parliament, you will find it on Hansard. I think that accounts for what Mr. Beaubien says has been stated in the House of Commons. It was an official report presented to parliament on a question put by Sir Henry Drayton. It may be wrong; I am not arguing that point. It came from the Minister of Railways. I am not arguing whether it is right or wrong, but that may explain the impression that has got around.

Sir **Henry Thornton**: It is a very difficult thing to determine, because so many factors enter into the movement of traffic. For instance, if you have a load movement in one direction, and an empty movement in the opposite direction, and the cars are moving empty any way, you can have a profit maybe on a load, which you would not have under other circumstances; and when you come to say precisely what the cost of movement of a ton of freight is, or any commodity from one place to another, there are so many factors that enter into it, that you cannot make a general statement.

Mr. **Beaubien**: You stated here yesterday, and I think you repeated it to-day, that certain lines were profitable. Have you a separate account on the different regions of the railway?

Sir **Henry Thornton**: No, I do not think I made that statement; I do not think I made that statement.

Mr. **Hanson**: He did not go that far.

Mr. **Beaubien**: May I ask this question right here; do you keep separate accounts of the different regions of the railway?

Sir **Henry Thornton**: Yes, we have them.

Mr. **Beaubien**: Can you not ascertain whether the movement of grain is profitable or not under the present rate?

Sir **Henry Thornton**: Yes, of course, we can answer that question approximately, but I have just tried to explain to you that it is an impossible thing to determine the cost of moving a ton of freight. You have to take into consideration all the factors that surround that particular movement.

Mr. **Nicholson**: I would like the privilege of asking Sir Henry Thornton a question in regard to that, which I think would clear up in some degree the discussion. Is it not true in the operation of your railways, there are very heavy operating expenditures involved in moving your cars to the west, in repairing your cars, and maintaining contractors in providing motive power and everything else that is necessary to move the grain crop that is charged in during the period that you are moving the grain crop actually, or during the period that these charges are actually made up.

Sir **Henry Thornton**: Yes.

Mr. **Nicholson**: The point I want to make is this: the operating ratio drops during the actual months that the grain is being moved, which is due to the fact that all of the costs involved in moving the grain are not incurred at that time.

Mr. **Beaubien**: You cannot segregate the figures of the two or three months in which there is the heaviest grain movement.

Sir **Henry Thornton**: Quite so, that does not include all the expenses which have been involved by that movement But I will say quite frankly here, without any hesitation whatever, that if it were not for our grain movement, we would be in a sad state financially, and that was illustrated vividly in 1929 when the grain failed to move. That was really, as far as the railways are concerned, what put us on the toboggan, so to speak, and I do not want anyone to assume anywhere in Canada that the railways fail to appreciate, or in any way want to get rid of the grain movement.

Mr. **Hanson**: All you said, Sir Henry, was that relatively it was a lower rate, and was less profitable, than the movement of other merchandise.

Sir **Henry Thornton**: It is a less remunerative business.

Mr. **Hanson**: I should like tc say, in justice to the railways that parliament created that condition in 1922, and 1924, in its wisdom, rightly or wrongly, and we are bound by it, and nobody as far as I know has been—

Sir Henry Thornton: A railway is a good deal like a department store, you have got to sell all kinds of things; you may lose money on the sale of hairpins, and you may make it on the sale of neckties and handkerchiefs, but you have got to have a fully equipped shop, and sell whatever anybody wants to buy. In a railway you have to move all kinds of business that turns up, and you have to apply that rule to the movement of all business, and to that businesss generally which in the last analysis, best promotes the interests of the country.

Mr. Beaubien: There was a statement made in the House last Friday to the extent that the Canadian National Railway company was in a bad state, and so forth, and probably a rate reduction or a wage reduction would be—

The Chairman: A rate increase.

Mr. Beaubien: Or a wage reduction would be in order. The reason why I raised this point is that the statement was made that the freight rate on grain in Canada is 25 per cent less than on the United States railroads.

Sir Henry Thornton: Yes.

Mr. Beaubien: The reason I raised the point and asked the question, was to try to establish that the hauling of grain in western Canada under the present rate was profitable to the railway companies. The understanding I have of the operations is this, that you haul 55 or 60 cars to Fort William and Port Arthur; that you gather your cars from your different feeders, and take them to one spot and that you make a train and carry right through to Fort William. Is not that a profitable business for the railway company, operating in that way?

Sir Henry Thornton: Yes, I think it is.

Mr. Beaubien: Under the present rate?

Sir Henry Thornton: The only point that was raised was this, that grain was not as remunerative as other commodities, which is entirely correct.

Mr. Hanson: Relatively speaking.

Mr. Geary: You cannot argue that way.

Sir Henry Thornton: Incidentally, the question that was asked me, was how do grain rates in the United States compare with the grain rates in Canada. I answered that question, but I did not intend it to be any argument for or against rates one way or the other, because it may well be that a certain rate is justifiable in the United States, and it may not be justifiable in Canada. For instance, you have to remember that the United States is now, or at least until the last year or so, consuming most of their own production. Formerly, in years gone by, the United States was a large grain exporting country. It is not so much so to-day. It is probably a fact that a large percentage of the grain crop in the United States is grown near to its point of consumption than is the case in Canada and the situation will be quite different It is a very dangerous thing to compare railway and transportation rates in different countries without any further exposition of the surrounding facts and circumstances; it is the most slippery ground that anyone can get upon, and I want you to understand when that question was asked me, I simply answered it, that is all.

Mr. Beaubien: I am not criticizing your attitude, Sir Henry, but this statement was made in the House and I wanted to have it cleared up. You have informed me that the hauling of grain under the present system of gathering your cars in one divisional point from the different feeders and making a train load and carrying it to Fort William, is profitable to the railway company under the present rate.

Sir Henry Thornton: Yes. We do not want to lose that business. Nineteen-twenty-nine is an example of what happens. This will interest you. The average revenue per ton mile on general traffic in Canada on the Canadian National Railways is 1.081 cents, 1.085 cents, the average revenue on grain is

.526 cents. The return per ton mile on grain is about half what it is on general merchandise; and it simply bears out the statement that was made a moment ago, I think by Mr. Hanson, and I agree with him, that the grain movement is not as remunerative as other merchandise.

Mr. HANSON: That is all I started to prove.

Mr. McGIBBON: Per ton mile?

Mr. BOTHWELL: Would it be possible to give the difference between the operating ratio on a carload of grain from Regina or Calgary or Lethbridge and a carload of coal to Fort William?

Sir HENRY THORNTON: It would be a very difficult thing to do. I am afraid we could not get that in that shape.

Mr. KENNEDY: Sir Henry, up until some seven or eight years ago, it was customary for the railways to give us the different operating ratios. Is that done now or have they discontinued it?

Sir HENRY THORNTON: I can give you the operating ratio for any one of our three regions, for any year than you like, if you would like us to do that.

Mr. KENNEDY: Yes, I would like that.

Sir HENRY THORNTON: Would you like to have the operating ratio for the western region?

Mr. KENNEDY: Yes.

Sir HENRY THORNTON: Do you want the central region as well?

Mr. KENNEDY: Yes.

Sir HENRY THORNTON: And the Atlantic region?

Mr. KENNEDY: Yes, for the last five years.

Sir HENRY THORNTON: Would the last three years do you as well, because if you will leave it at three years, it will save us a lot of work.

Mr. KENNEDY: All right, have it limited to three years now.

Mr. BELL: I should like to get a statement from you regarding the movement of grain from the Great Lakes, whether it is moved in American bottoms, or Canadian bottoms, and if there is any traffic in grain from Fort William to American ports, and if it is handled by American railways?

Sir HENRY THORNTON: I think Mr. Burnap, the traffic vice-president, could perhaps answer that question satisfactorily. You heard the question, Mr. Burnap.

Mr. BURNAP: There is a very heavy movement of grain from the head of the lakes to Buffalo, and it goes in the elevators there, and some of it is used by American flour mills located in Buffalo, some of it is forwarded by rail from Buffalo, and some forwarded by barge lines, from Buffalo to New York. That is, the movement is every very considerable.

Mr. HANSON: Is it over half?

Mr. BURNAP: I think to-morrow I can give you the percentage. I have the figures in Montreal, and thinking they might come up, I wired this morning for them.

The CHAIRMAN: At the same time would you indicate to us the difference in figures so we can see how competitive it is?

Mr. BURNAP: I am not an authority, sir, on the question.

Sir HENRY THORNTON: If we cannot get the cost of haulage, we can get the revenue from the rates.

An Hon. **Member**: We have been told grain is moving as low as 1½ cents a bushel from the head of the lakes to Buffalo this season, as against an opening season water rates from the head of the lakes to Montreal, of nine cents, and within the last ten days, six cents.

Mr. **Hanson**: I should like to know how you are going to compete against that.

Mr. **Beaubien**: The Canadian shipper of grain will ship his grain through the cheapest route.

Sir **Henry Thornton**: There is the answer to the whole question. The shipper always ships his grain by the route which gives him the cheapest rate and quickest shipping.

Mr. **Hanson**: And the railways have always taken the position that no matter if they reduce their rates, the American competition would be reduced.

Sir **Henry Thornton**: The spread would probably be retained, whatever it is.

Mr. **Bell**: What is the remedy for it?

Sir **Henry Thornton**: I do not know of any.

Mr. **Kennedy**: How would the deepening of the St. Lawrence affect the railways?

Mr. **Geary**: Four cents a bushel.

Sir **Henry Thornton**: This is, of course, a question which has given, I think, every railway man in Canada a good deal of anxiety and it may have serious results. The only redeeming feature about it seems to be that there will be so much discussion and so much talk about it before the parties can agree, that most of us will be in a better land by the time it comes about.

Mr. **Fraser**: You are sure it will be a better land?

Sir **Henry Thornton**: I had in mind you, Colonel, I thought you would be there with a harp and a halo, and if I am somewhere else I will ask you to come down to spend a weekend with me.

Mr. **Geary**: In the cold season.

Mr. **Heaps**: You will not be talking so much about coal then, will you?

Sir **Henry Thornton**: No.

Mr. **Bell**: The government intends giving five cents a bushel on grain shipped for export. Is there any way of determining from the shipper that this grain will be handled by Canadian railways?

Sir **Henry Thornton**: I suppose that can be imposed as a limitation.

Mr. **Hanson**: On the same basis as the British preference?

Sir **Henry Thornton**: It is preference, only in a somewhat different fashion.

Mr. **Hanson**: It would have to be taken care of. We are not going to subsidize—I must tell you very frankly that I am not going to sit calmly by and have subsidies given on grain exported through Buffalo and New York.

Mr. **Bell**: Neither am I.

Sir **Henry Thornton**: There is another situation to be considered and that is that a fair amount of American grain goes through Montreal.

Mr. **Hanson**: But it goes through Montreal because it is economically cheaper to send it that way.

Sir **Henry Thornton**: It does not go that way from reasons of philanthropy.

Mr. **Pickel**: Does it go by rail?

Sir **Henry Thornton**: Some of it goes by rail and some by water.

Mr. **Beaubien**: The Americans ship their grain via Montreal because it is economical to do so.

Sir **Henry Thornton**: Of course. There is no philanthropy in the matter. The plain fact is that this grain moves the cheapest way for the shipper, and the shipper will hunt around to find the cheapest way, and what is more he will probably try to start cheaper ways.

Mr. **Beaubien**: In times of depression competition is more acute?

Sir **Henry Thornton**: Yes.

Mr. **Bell**: Can we get comparative figures?

Sir **Henry Thornton**: Tell me what you would like.

Mr. **Bell**: What I would like to get at is how much cheaper it is to ship by Buffalo?

Mr. **Burnap**: The barge line rate from Buffalo to New York at the present time is three and one half cents a bushel, and the railways have not met that rate.

Sir **Henry Thornton**: That is materially lower than the railway rate. Do you know what the railway rate is?

Mr. **Burnap**: I think it runs fifteen cents a bushel at the present time.

Sir **Henry Thornton**: From Buffalo to New York.

Mr. **Bell**: What is the water rate?

Mr. **Hanson**: Three and half.

Mr. **Burnap**: It has been quoted as low as one and a half cents a bushel from the head of the Lakes to Buffalo. To Montreal the opening season rate all water was nine cents. It has been quoted as low as six cents a bushel from the head of the Lakes to Montreal all water.

Mr. **Gray**: What is the rate from Buffalo and Port Colborne to Montreal through the canal?

Mr. **Burnap**: In reply to that question, about two years ago in examining the situation we found there was an unexpected movement of grain from the head of the Lakes to Buffalo. We wondered where that grain was going and we found that some of it was being transhipped through the elevators so as not to violate the law, shipped into Canadian bottoms again. It was handled by U.S. vessels from the head of the Lakes to Buffalo, and shipped into Canadian vessels for Montreal to take advantage of the through rate. Much of the grain that is transferred from Port Colborne has moved from the head of the Lakes to Montreal.

Sir **Henry Thornton**: Does that answer your question or not?

Mr. **Gray**: What would be the relative cost from the head of the Lakes to Liverpool via Buffalo and Montreal respectively?

Sir **Henry Thornton**: I doubt very much if we could get you that information. I think what Mr. Bell wants is how much it costs to move grain from the head of the Lakes all water via Buffalo and New York, and what it costs to move grain by water from the head of the Lakes to Montreal; and what it costs to move grain by water from the head of the Lakes to Georgian Bay ports and then by rail to Montreal.

Mr. **Burnap**: Based upon experience lately, the rate to-day may not obtain to-morrow.

Sir **Henry Thornton**: Of course, you understand that there are almost daily fluctuations in these cases and any figures we would give you would only be an approximation. I think probably Mr. Burnap could give Mr. Bell that information. I do not know whether he could give it to-day. How long would it take, Mr. Burnap?

Mr. BURNAP: I will try to have it to-morrow.

Mr. BELL: Like Mr. Hanson, I am interested in the question of bonusing export grain from the west, and having it go by an all Canadian route as far as possible so that the benefit will accrue to Canadian railway and steamship companies.

Sir HENRY THORNTON: I think I have stated your question correctly. You have a note of that, Mr. Burnap, and you will get in touch with Mr. Fairweather and have that information for Mr. Bell as soon as you can?

Mr. BURNAP: Yes.

Mr. HANSON: According to your statement the rate from the head of the Lakes to New York is five cents a bushel?

Mr. BURNAP: I think so. If it is not so I will correct it.

Mr. HEAPS: Have we information showing how much American grain goes through Canadian ports?

Sir HENRY THORNTON: It is in the grain statistics of Canada. The Bureau of Statistics have all that.

Mr. HANSON: I had in mind going back to the question of increased railway revenue. It is a very startling figure Sir Henry. We all agree on that. $46,000,000 in a twelve months period is a large figure, and it is not confined to any one class of service. The principal item is freight, 18%, but it covers the whole range of railway activities and of production in Canada. What are you going to do about it?

Sir HENRY THORNTON: Well, I think I said at the first meeting of this committee that the accuracy of a prophecy varied inversely with the experience and the importance of the prophet. Now, in the first place the question is, is the present depression indicative of a permanent condition or is it transitory? We have had such conditions—probably not to such a degree before—but we have had such conditions. When you asked what are we going to do about it, I think your question involves first an examination of what caused the condition, because before you can prescribe the medicine you have to know what kind of disease is being treated, otherwise the remedy might be the wrong one. I might venture this opinion with respect to the general question, although it looks like going a little far afield, and that is this: I think the only fair principle to apply to-day is that the great economic, social and political changes which have happened in the past, particularly the economic changes, have been spread over a period of some two to four hundred years. Take the discovery of steam as a form of energy. Formerly the principal form of energy was manual power—the backs of men, and relatively crude water power appliances; but the moment steam was discovered as a form of energy the frontiers of industry instantly expanded indefinitely, the potentiality of industry expanded prodigiously, and we immediately entered a mechanical era. The application of electricity in all its forms to-day is the child of steam, because without the steam engine there could have been no dynamo, and the development of steam carried in its train electrical application and the internal combustion engines and all of the extraordinary mechanical development that has taken place progressively in the last one hundred and fifty years. Now, that era has more than covered the life of any single industrialist or of any single generation, which is to say that each successive generation, and the world as a whole, had time to adjust itself to those constant progressive movements. It was an evolution. But since the war our economic political and social changes have taken place with appalling rapidity. More has happened since the war to the world as a whole socially, politically and economically than ever happened to the world in any previous one hundred or two hundred years; and the simple fact is that we to-day are unable to move fast enough to adjust ourselves to those rapidly changing conditions. If we are going to solve these problems we have got to talk less and reach our conclusions quicker and act with greater rapidity. In other words, we have a runaway on our hands; and I think, no matter how academic it may sound, that that is largely responsible for our economic trouble. We are just not keyed up mentally to move fast enough to meet these changes which are happening all over the world, politically, economically and socially, with great rapidity. Now, you asked me what we are going to do about it. Well, as I say, much depends upon whether we are now confronted with a permanent or semi-permanent condition, or whether we are not, and I frankly admit I do not know and I haven't found anybody that does know. If anyone can answer that question which you have proposed, and which I admit is a serious question and certainly one that should engage the attention of all thoughtful people, he will probably be conferring the greatest benefit upon mankind that all history can reveal.

Mr. HANSON: In other words there has got to be a readjustment.

Sir HENRY THORNTON: Unquestionably.

Mr. HANSON: And all along the line; all over the whole outlook.

Sir HENRY THORNTON: It makes no difference Mr. Hanson, whether you look at it from a political, social or economical point of view, it looks to me as if we had approached a period which demanded a readjustment or a re-vamping of a good many of our policies and ideas.

Mr. HANSON: Take the question of rates. Heretofore, under the Railway Act—I am not speaking of Parliamentary rates at all because they are dictated by political considerations as I understand according to my knowledge of the situation—but take the question of rates. Let me give you an illustration of what you are up against in express rates. The express rate on a crate of oranges from St. John to Fredericton is eighty cents. That involves three or four different handlings—perhaps two on your line and three on the C.P.R. branch line. The truck is calling at the wholesale warehouse for that crate of oranges and the driver of that truck is putting those oranges into my house for thirty-five cents with the result that that situation brings about a decrease in revenue in expresses. What are you going to do to meet that situation? It is a fair question, I think.

Sir HENRY THORNTON: Yes, it is a fair question; and we are doing this: in the first place we are considering, in connection with the Canadian Pacific railway, although we have our own views on that subject—

Mr. HANSON: I do not want you to give away anything that is not settled or that will expose your hand. I would not put you in that position; but with that limitation can you answer my question?

Sir HENRY THORNTON: I will not give away the show. I want to tell you quite frankly what we are trying to do because I would like to have your reaction and the reaction of this committee. We run a certain number of passenger trains, and we are obliged to do so to-day in order to preserve the continuity of service—service to the different communities. These passenger trains have got to be run, and to-day they are running light. Now, we have under consideration filling those trains up with package freight at freight rates, L.C.L. rates. The trains have got to be run, the expense is there, let us fill the trains up and see if we cannot make some money.

Mr. HANSON: In other words you propose to meet that particular competition that way?

Sir HENRY THORNTON: We have under consideration a plan to try to meet that situation in that fashion. When you come to the general—

Mr. GEARY: That is a reversal of all your former policies?

Sir **Henry Thornton**: That is what I say. You have to move fast in these days. We are confronted with an entirely new situation, and we have to apply new remedies. You cannot be bound by old precedents which may have been perfectly correct ten years ago, and which will not work to-day.

Mr. **Geary**: Does it follow from that that you are abandoning the principle that you have to move express at a higher rate than freight?

Sir **Henry Thornton**: No, I would not go that far. I am trying to answer frankly Mr. Hanson's question as to what they are doing. Now, I come to the general question ot highway competition. The only way to meet it is to compete with it. There is no good trying to compete with the highway unless an analogous service is furnished because you do not get anywhere.

Mr. **Hanson**: May I interject there; as a corollary to that proposition should there not be public regulation of other common carriers as well?

Sir **Henry Thornton**: Mr. Hanson, I will not repeat my statement, but at the first meeting of this committee I ventured to express what I think ought to be done in the way of regulations.

Mr. **Hanson**: They ought to be regulated.

Sir **Henry Thornton**: There is no question about that; but after that there is still the competitive feature. Now, unless we furnish a service which is equally attractive to the highway service, we are not going to get the business. So, we have had a committee at work for some little time to see if we could not have some system of containers, collections and delivery to implement the trains which have to run, in order to work out some scheme which will put us on a parity with the highways when it comes to the question of competition. Now, that is as near as I can come to an answer to your question.

Mr. **Hanson**: That is a logical answer. I am glad the subject is engaging the attention of the management.

Mr. **Heaps**: May I ask Sir Henry if he is in a position to state how reduced week-end fares have affected passenger traffic?

Sir **Henry Thornton**: I do not know offhand.

Mr. **Burnap**: We cannot determine definitely just what the result has been.

Mr. **Hanson**: What has been the reduction? I understand it is small.

M. **Burnap**: It is one and a quarter per cent on the round trip, one and a quarter times—a fare and a quarter instead of a fare and two-thirds.

Sir **Henry Thornton**: It compares numerically as one and a half compares with two.

Mr. **Heaps**: Has there been any increase in traffic as a result of that reducton?

Sir **Henry Thornton**: Mr. Burnap, Mr. Heaps asks if there has been any particular increase in traffic.

Mr. **Burnap**: We think it has excited some increase, but right now with the use of private automobiles at this particular season of the year it is difficult to determine to what extent we have succeeded in getting that business.

Sir **Henry Thornton**: How long have you had the reduced fare in operation?

Mr. **Burnap**: From the first of May.

Mr. **McGibbon**: I am not speaking of passenger traffic between Ottawa and Montreal. Is not one of the difficulties the slowness of the trains. You can take an automobile from my part of the country and can go a distance in two and a half hours that it would take four and a half hours to go on a train.

Sir **Henry Thornton**: There is no doubt the automobile on the highway is a serious competitive factor with the railway. We run usually a local train and they have to stop at every station which means more time is taken by rail necessarily than in an automobile where the person goes straight through to his own door.

Mr. **McGibbon**: Would it not help traffic if those trains were speeded up a little.

Sir **Henry Thornton**: The only way to do that would be to put on an entire new train and put on a local staff. The real interference with fast movement is the local stations at which you have to stop. For instance, one of the features that help for speed on the train between Montreal and Toronto is the fact that they make only two or three stops.

Mr. **McGibbon**: We do not expect trains like that but it seems to me they are terribly slow.

Mr. **Hanson**: I have had my own trouble in that regard—people want faster trains and more stops, stops for every two or three miles, and I do not see how you can have the two together. However, they have not got much encouragement from me in that regard.

Sir **Henry Thornton**: I think the best way to treat that question would be to take the fast train between Toronto and Montreal, because the Chicago train is really the outgrowth of that. The fast trains we run from Toronto to Montreal is a factor in a financial way yielding a half million a year. I do not think there is any train, probably not on the American continent that earns more per mile, and they are far more profitable than any trains we run.

An Hon. **Member**: What has been the effect on other trains.

Sir **Henry Thornton**: It does not materially affect the other trains—we simply collect additional business.

An Hon. **Member**: Do you take into consideration the higher state of efficiency in which the road is kept to run those fast trains.

Sir **Henry Thornton**: The condition of the road bed is not affected by those fast trains—we would have to maintain the standard of efficiency. The real factor in those trains is not so much the average speed as the elimination of stops. The train that makes every stop and runs like a scared rabbit between the stations, is the one that might affect the road bed, but as to the efficiency of the road bed for passenger trains, we would have to do that in any case.

Mr. **Hanson**: As to passenger revenue, we discussed it last year and you stated the loss in passenger service last year was $12,000,000—I would like to know what it is this year.

Sir **Henry Thornton**: We will have that for you to-morrow.

The Committee adjourned until Thursday, June 11, at 11 o'clock.

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SESSION 1931

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

THURSDAY, JUNE 11, 1931

WITNESSES

Sir Henry W. Thornton, K.B.E., President of the Canadian National Railways.

Mr. D. E. Galloway, Assistant Vice President, Canadian National Railways.

Mr. R. C. Vaughan, Vice President, Purchasing and Stores Department, Canadian National Railways

Mr. S. J. Hungerford, Vice President, Operation and Construction Department, Canadian National Railways.

Mr. R. L. Burnap, Vice President, Traffic Department, Canadian National Railways.

Mr. S. W. Fairweather, Director, Bureau of Economics, Canadian National Railways.

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1931

MINUTES OF PROCEEDINGS

THURSDAY, June 11, 1931.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government met at 11 a.m., Hon. Mr. Chaplin, the Chairman, presided.

Members present: Messrs Bothwell, Cantley, Chaplin, Duff, Euler, Fiset (Sir Eugene), Fraser (*Cariboo*), Gobeil, Gray, Hanbury, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, Power, Rogers, Stewart (*Lethbridge*).

Sir Henry Thornton submitted answers to questions previously asked respecting,—

(1) Quantity of Canadian Grain shipped via Buffalo for export through American ports in 1930;
(2) Rates on grain from the head of the Lakes to Montreal via water, via rail, via water-and-rail;
(3) Rates on grain from Montreal and New York to Liverpool by (*a*) tramp, (*b*) liner;
(4) Rate, Buffalo to New York, via barge service;
(5) Operating ratio of Eastern Lines, Central Region, and Western Region for years 1928, 1929, 1930;
(6) Production and cost of production, 1926 to 1930, Rail and River Coal Corporation; and
(7) Rail and River Coal Company wage scale, February 1, 1931;
(8) Comparison of wages in coal fields in Canada.

Arising out of the answer to question (6), a discussion ensued regarding the price of coal.

The amount of capital invested in the Canadian National Railways and the prospect of securing a fair return on that amount was debated at length.

The Committee resumed consideration at page 5 of an "Analysis of 1930 Results of Operation as Compared with 1929."

The Committee adjourned until Tuesday, June 16, at 11 a.m.

JOHN T. DUN,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 231,
THURSDAY, June 11, 1931.

The Select Standing Committee on Railways and Shipping met at 11 a.m., Hon. J. D. Chaplin, Chairman, presiding.

The CHAIRMAN: I was waiting for a few moments for the minister, but we can go ahead where we left off yesterday. The Minister will be here later.

Sir HENRY THORNTON: I think, Mr. Chairman, there was some questions asked yesterday and I should like to answer them.

The CHAIRMAN: The questions that were asked by members are here, and I may say that I have eliminated some myself, and the others I have passed over to the railway officials. They will not be answered until the Minister returns, in accordance with the understanding arrived at the other day.

Sir HENRY THORNTON: There were certain questioned asked, I believe, by the committee yesterday to which perhaps you might give the answers.

The CHAIRMAN: I think so.

Sir HENRY THORNTON: One of the questions asked was in regard to the amount of Canadian grain shipped via Buffalo. Perhaps I had better read it, because you may want to make some comment upon it. This was the question, what was the quantity of Canadian grain shipped via Buffalo for export through American ports in 1930? The answer is, Canadian grain via Buffalo, 92,479,728 bushels. Of that amount—

Mr. HANSON: Ninety-two millions?

Sir HENRY THORNTON: 92,479,728 bushels. Of that amount there was reshipped to Montreal, 20,201,998 bushels, leaving a balance of the grain which went to Buffalo, which was exported via United States ports, or used for milling in bond to the United States, 72,277,730 bushels. As a matter of information for comparative purposes, the total Canadian grain exports in 1930 amounted to 216,670,052 bushels.

Mr. HANSON: About one-third went out by American ports?

Sir HENRY THORNTON: Yes, that is right.

Mr. HEAPS: In bond, milled in the States?

Mr. HANSON: Milled for export.

Sir HENRY THORNTON: I said in round figures, 72 million bushels of Canadian grain remained in Buffalo. Now, we do not know what percentage of that was turned into flour, or what percentage of it went to New York or some other port for shipment. All we know is that 72 millions of bushels of Canadian grain found its way to Buffalo and stayed there, or stayed in the United States; either stayed there or was exported. We have no way of determining what proportion of it was milled in the United States, and what proportion was shipped from the United States.

Mr. HANSON: I suppose, in any event, if they milled it, and retained it, they would have to pay a duty.

Sir HENRY THORNTON: If it was milled in transit and exported it would not pay a duty, that is right. Mr. Fairweather may be able to answer that question.

Mr. HANSON: It is answered well enough.

Mr. Fairweather: I was just simply going to remark that the Dominion Bureau of Statistics publishes a very thorough set of statistics on the moving of Canadian grain. Really, all the information is in there, particularly in the form of charts. For instance, here is the movement of Canadian grain—

Sir Henry Thornton: Can we get the information that Mr. Hanson refers to?

Mr. Fairweather: Yes.

Sir Henry Thornton: We can get that for you.

Mr. Hanson: I am not asking for it, I know it now.

Mr. Hanbury: You gave a total of 216,000,000 bushels, approximately, exported, of which 72,000,000 went through United States ports, leaving a balance of 144,000,000. Do you know what proportion of that went through Pacific ports?

Sir Henry Thornton: Yes, we can get that, but maybe not right off the bat, but it can be obtained; it is quite simple. While Mr. Fairweather is looking that up, perhaps I can go on.

The Chairman: Gentlemen, I would say that questions of this nature that any member can get himself, should not be taken up here, as it takes up too much time of this committee.

Mr. Hanson: The only point is, we get it on the record.

Mr. Chairman: I may be wrong in that respect.

Mr. Hanson: It may be of some value.

Sir Henry Thornton: Another question that was asked—by the way, I will hand those printed replies in so they can be included in the record, I am just mentioning them verbally now—the next question was, what are the rates on grain from the head of the lakes to Montreal, first via water, secondly via rail, and thirdly via water and rail. The answer to that question is this: via water, seven cents per bushel; via rail (for export), 34½ cents per bushel; via rail and water (1) via Northern Navigation Company, bagged wheat, 25 cents per 100 pounds, (2) via water and rail (head of the lakes to bay ports, thence rail) head of the lakes to bay ports, 2½ cents per bushel; bay ports to Montreal, 8·6 cents per bushel, making a total of 11·1 cents per bushel.

The next question that was asked was this, what are the rates on grain from Montreal and New York to Liverpool, first by tramp steamer, and secondly, by liner. There are no quotations available as to tramp cargoes at the present time moving to Liverpool. The rate by liner, that is, by established schedule service, is 4·56 to 5·33 cents per bushel. That is the rate per bushel from New York to Liverpool by liner service, and that is about all the information that we can get on that subject.

Secondly, the question was asked, what was the rate by barge line from Buffalo to New York; that is, by barge service from Buffalo to New York by the Erie canal, and the rate is from 3 to 3½ cents per bushel.

Mr. Bothwell: You gave the rate from New York to Liverpool; have you the rate from Montreal or any Canadian port?

Sir Henry Thornton: Well, yes, I gave you that. The rate from Montreal to Liverpool by what we call liners, established service, is from 4·56 to 5·33 cents per bushel. Now, from New York to Liverpool, it is approximately 5·33 cents per bushel; in other words, pretty much the same. Now, can you answer that question that was asked a while ago, Mr. Fairweather?

Mr. Fairweather: The grain exports through Vancouver in the crop year 1928-29 amounted to 96,138,218 bushels.

Sir Henry Thornton: He would like to know in respect to 1930.

Mr. **Hanbury**: 1930.

Mr. **Fairweather**: These statistics are all in crop years.

Mr. **Fraser**: You have not got the amount for the last crop year?

Mr. **Fairweather**: This is for the last available year.

Sir **Henry Thornton**: I think, if you would like the information, we can probably get it. We can dig it out for you, if you would like to have it. In other words, what Mr. Hanbury would like to know is, how much Canadian grain was shipped from the port of Vancouver.

Mr. **Hanbury**: Yes.

Mr. **Hanson**: I think the total export was 216,000,000 bushels.

Mr. **Heaps**: I would like to ask Sir Henry the proportion of American grain that went through Canadian ports.

Sir **Henry Thornton**: Yes, we can give you that in just a moment.

Mr. **Fairweather**: The number of bushels of United States grain moving through Canadian ports in the crop year 1928-29 were 83,512,520.

Mr. **Hanson**: Eighty-three millions?

Mr. **Fairweather**: 83,512,520.

Mr. **Heaps**: For the same year corresponding with the 72 millions?

Mr. **Fairweather**: Well, this is the crop year 1928-29.

Sir **Henry Thornton**: What is this. How does it compare with this?

Mr. **Fairweather**: That, sir, is the calendar year 1930.

Sir **Henry Thornton**: What Mr. Heaps evidently wants to know is this: what kind of balance is struck,—

Mr. **Heaps**: Correct.

Sir **Henry Thornton**: —between Canadian grain that moves for export through American ports, and American grain that moves for export through Canadian ports. Just speaking offhand—I should like Mr. Fairweather or Mr. Burnap to correct me if I am wrong—I think the balance is generally somewhat in favour of the Canadian ports, is it not?

Mr. **Burnap**: I think you are right, Sir Henry. I hope to have the actual figures—

Sir **Henry Thornton**: When can you get them?

Mr. **Burnap**: The secretary is on the 'phone now.

Sir **Henry Thornton**: We may have the figures to-morrow morning. I think from general knowledge of the situation as far as the balance is concerned, there is rather more of American grain which finds its way to export through Canadian ports than Canadian grain that finds its way through American ports. Now, that is just a general statement.

Mr. **Hanson**: Just in that connection, do the Canadian railways get any benefit from the American grain, or is it all water haul?

Sir **Henry Thornton**: Of course, here you have 92,000,000 bushels of Canadian grain that moves to Buffalo. We get our portion of the movement of that grain to the head of the lakes, but I should say without any doubt practically all of that, in fact, every bushel is moved by water from the head of the lakes to Buffalo, and probably pretty nearly all of it, which was consigned to Montreal, also moved by water; so that out of the total of 92,000,000 bushels, the railways profit only by the rail movement to the head of the lakes.

Mr. **Hanson**: I am speaking of the American grain that went out through Montreal, did the Canadian railways get any haul on that at all at any point? I do not think they did.

Mr. **Fairweather**: Speaking with regard again to the crop year 1928-29, which is the only year for which I have the available statistics, there were 19,767,000 bushels of grain handled by rail from Georgian Bay ports to Montreal, and there were 16,000,000 bushels—half of that may be included in the other—that went through to Saint John.

Sir **Henry Thornton**: What Mr. Hanson wants to know is this: He says a certain amount of American grain moved through Canadian ports. Now, how much of that grain was moved by Canadian railways, or in what way, if at all, did the Canadian railways profit by that movement. That is the question in a nut-shell, as I understand it.

Mr. **Hanson**: Yes.

Sir **Henry Thornton**: Can anybody answer that?

Mr. **Burnap**: I would not attempt to give you the exact figures, sir.

Sir **Henry Thornton**: Can we get them?

Mr. **Burnap**: A considerable proportion.

Sir **Henry Thornton**: Can we get it?

Mr. **Burnap**: We certainly can.

Mr. **Hanson**: I would not have supposed you got anything out of it; I am very glad to hear you got something. The movement by water from Buffalo to Montreal, how does it get to Buffalo?

Sir **Henry Thornton**: It must have got to Buffalo presumably by water.

Mr. **Gray**: We got some of it.

Sir **Henry Thornton**: A good part you must remember, was moved from Chicago, and by water to Georgian Bay ports. We would get it by rail from here.

Mr. **Hanson**: You may do that.

Sir **Henry Thornton**: Those are all the questions. No, there are some other questions.

Mr. Kennedy asked about the operating ratio of the three regions of the Canadian National Railway for the last three years, and I have them here. I will just give the result to you in a general way. On the eastern lines, the operating ratio varied from 110 per cent to 115 per cent; the central regions operating ratio varied from 78 per cent to 85 per cent. In other words, the most favourable year was the year 1928 when there was the largest volume of traffic. The western region's operating ratio varied from 83 per cent to 93 per cent. In each one of these instances, the most favourable operating result was in the year 1928. The eastern lines had their lowest operating ratio in 1929.

There is another question, and I have forgotten who asked it, but I think it was Mr. Heaps. The question was in regard to a statement of the production, and the cost of production of the cost of the coal raised by the Rail and River Coal Corporation, and I will just hand it in.

Mr. **Heaps**: Mr. Smith asked for that.

Sir **Henry Thornton**: It will go on the record, Mr. Smith, I shall read it, if you like. I shall give it to you in round figures. The production from 1926 to 1930, four years, was 4,515,509 tons; the production costs, including idle time, was $7,454,250.37, and the average cost per ton was $1.65. During this period the mines were closed for a total of 25 months, or substantially two years. I think Mr. Smith asked about the wage scale, or Mr. Heaps asked that question.

Mr. **Heaps**: Yes.

Sir **Henry Thornton**: I have here a statement, which is rather long, and I do not think you will want me to read it. It gives me the information asked for, and it also gives a comparison of wages paid in Canadian mines. Well, we have no direct information from the coal operators as to what wages are paid; but we have endeavoured from public statistics and from other sources, to secure that information, and we do give you a comparison of the wages paid in the various coal fields of Canada, but I should like you to understand it only represents the best information we would obtain from an examination of public records. It is rather a long statement, and I think you probably want me to go on with the other statement.

The CHAIRMAN: Is it your pleasure to place this on the record?

Some Hon. MEMBERS: Yes.

RAIL AND RIVER COAL COMPANY

WAGE SCALE IN EFFECT FEBRUARY 1, 1931

1. *Inside Day Labour*—

Motormen	$4 00
Drivers	4 00
Bottom cagers	4 00
Track layers	4 00
Timbermen	4 00
Snappers, on crab gathering locomotives	4 00
Trip riders, on haulage locomotives	3 80
Water haulers	3 80
Machine haulers	3 80
Track layers, helpers	3 80
Timbermen, helpers	3 80
Bratticemen	3 80
Trappers	2 40
Couplers and greasers	2 40
Other inside day labour	3 60
Machine cutting, by the day	4 00

2. *Outside Day Labour*

First blacksmith	4 50-4 70
Second blacksmith	4 00
Blacksmith, helpers	3 80
Mine carpenters	3 80
Dumpers	3 60
Trimmers on railroad cars	3 50
Slate pickers on table or cars	3 20
Couplers and greasers, boys	2 25
All other outside day labour, except boys	3 20

3. *Machine Scale—Chain Machines*—

Cutting in rooms, any type breast machine, per ton	.09
Cutting in rooms, any type shortwall machine, per ton	.08
Cutting in rooms, any type arc wall machine, per ton	.04
Cutting entries, breakthroughs between entries, breakthroughs between rooms and turning rooms:	
8 in. wide, per ton .09 and extra per yard	.19
10 in. wide, per ton .09 and extra per yard	.16
12 in. wide, per ton .09 and extra per yard	.14
Hand drilling; shooting and loading in rooms, per ton	.45
Hand drilling; shooting and loading in entries breakthroughs between entries and turning rooms—	
8 in. wide, per ton .45 and extra per yard	.60
10 in. wide, per ton .45 and extra per yard	.53
12 in. wide, per ton .45 and extra per yard	.45

4. *Stone Measurement*—

When thickness of stone is	To be paid for per yd. running with the place	24 in. Wide	18 in. Wide	15 in. Wide	12 in. Wide	8 in. Wide
13 inches	1 inch	.06	.05	.05	.04	.03

QUESTION BY MR. HEAPS:

Comparison of wages paid in various coal fields in Canada, by classes?

Answer:

	Nova Scotia	Alberta	Vancouver Island
Contract miners	$6 69	$ 7 78	$6 71
Hand miners	4 15	5 20—5 57	4 52
Hoisting engineers	4 25	5 65—6 20	5 39
Drivers	3 60	4 85—5 25	4 13
Bratticemen	3 73	5 20—5 57	4 35
Pumpmen	3 93	4 40—4 95	3 96
Labourers, underground	3 45	4 40—4 67	3 97
Labourers, surface	3 40	4 15—4 41	3 76
Machinists	4 15	4 85—5 77	5 40
Carpenters	3 88	5 45—5 77	4 83
Blacksmiths	4 05	5 45—5 77	5 11
Machine miners	....	5 85—7 00	4 81

NOTE.—Above figures from Department of Labour Report No. 14 "Wages and Hours of Labour in Canada".

SIR HENRY THORNTON: That, Mr. Chairman, completes the list of questions which have been asked with respect to which we have available information.

MR. DUFF: With regard to this coal question, I think Sir Henry told us yesterday that some 1,600,000 tons of coal were raised from this mine in Ohio. What proportion of that one million, six hundred thousand tons was used by the Canadian National Railways?

SIR HENRY THORNTON: I can give you that in a moment. The total amount of coal raised, was 1,800,000 tons. Of that amount 1,600,000 was used for own own purposes.

MR. DUFF: How much?

SIR HENRY THORNTON: 1,600,000 tons, leaving 200,000 tons. These 200,000 tons were sold to consumers there.

MR. DUFF: That is, 200,000 tons were sold to private consumers? Can you give us any information as to whether or not you made a profit? You said it cost $1.26 or $1.10 to raise and it was sold for what?

SIR HENRY THORNTON: We sold it at $1.50 per ton.

MR. DUFF: It was sold at a profit?

SIR HENRY THORNTON: Yes.

MR. DUFF: Now, Sir Henry, some mention was made of the fact that if a fair price was obtained for this mine, the Canadian National Railways might consider selling it?

SIR HENRY THORNTON: I would so recommend to the proprietor.

MR. DUFF: Well, if this mine was sold, the Canadian National Railways would have to buy 1,600,000 tons of coal outside. How much would you have to pay for 1,600,000 tons?

SIR HENRY THORNTON: That question cannot be answered shortly. I might explain to you that one of the reasons which prompted the Grand Trunk Railway company to acquire this mine, at the time of its acquisition, which was somewhere around 1908 or 1910, was that there was a combination of coal mining interests in the United States, and the tendency of that combine was to maintain high prices for coal. The Grand Trunk Railway, to protect themselves against that situation, decided that it should acquire its own coal mine properties. That was the situation at that time, and that was the reason. Now, to-day, the situation is quite different, and as far as I can see, it is likely to remain so, for some time. And the prices of coal in the United States can only be described as chaotic. We are buying coal as what seems to be an unremunerative price to the producer.

Mr. Duff: What is that?

Sir Henry Thornton: Having regard to that situation—

Mr. Duff: What is that price?

Sir Henry Thornton (to Mr. Vaughan): Can you say roughly?

Mr. Vaughan: We can buy coal all the way from ninety cents up.

Mr. Duff: Up to what?

Mr. Vaughan: Up to $1.25, $1.50. It depends entirely from what district the coal comes. Of course, our cost is based upon freight rates to our line. Some lines have a lower freight rate, and some a higher freight rate. The coal produced by the Rail and River Company takes a lower rate.

Mr. Duff: It is on that the prices are based.

Sir Henry Thornton: Yes.

Mr. Duff: What I am getting at, Mr. Chairman, is this, whether it is good business or not, if this is a valuable coal mine, and the railway can save money by using 1,600,000 tons of coal a year from their own mine, why consider selling it?

Sir Henry Thornton: The answer to that is this: as far as our judment leads us to believe, the situation to-day and as far as we can see in the future, is not likely to be the situation which existed at the time the Grand Trunk acquired the mine. In other words, the coal situation has changed, and we believe, as far as our judgment dictates, that we can to-day afford to sell that property providing we can get our money out of it. I cannot recommend giving it away, nor can I recommend selling it at an amount materially less than that which represents the investment in the property. But again in turn, due to the condition of the coal market in the United States, it is almost impossible to sell any mine at any price.

Mr. Hanson: You are quite right.

Mr. Duff: What I am trying to get at is this: if you sold this mine at a fair price, for business reasons, you would have to use most of this 1,600,000 tons, you would have to buy most of this 1,600,000 tons from other United States mines.

Sir Henry Thornton: That is true. Our judgment is that the situation is such we do not think we are going to suffer any.

Mr. Duff: You are making a profit on what you sell outside.

Sir Henry Thornton: Yes.

Mr. Duff: Thirty cents a ton?

Sir Henry Thornton: Yes, and don't forget, of course, the sentimental reasons which intervene, and must necessarily intervene with respect to state-owned property, more so than with a privately owned property. We have been criticized for owning and operating a mine in the United States, and there may be some sentimental reason for that criticism. My only answer is that we have got the mine, and we must make the best we can of it. And if we can rid of it at a justifiable price, at a price which will conserve the interests of the property, I think we should do so.

Mr. Duff: Because you have been criticized is not a good reason why you should sell the mine.

Sir Henry Thornton: I do not say that, Mr. Duff. No amount of criticism would force the administration of this railway to do a thing which they did not honestly believe was to the best interests of Canada, but at the same time, we must listen to the zephyrs which blow.

Mr. Euler: Is it more advantageous to keep the mine and raise the coal or to sell the mine and buy coal from other mines?

Sir Henry Thornton: Mr. Euler, under present conditions, our judgment is, if we can get the money out of that property that has been invested in it, it would be better for us to sell the mine, but those were not the conditions which existed at the time the mine was bought, which was in 1910 or thereabouts.

Mr. Euler: I suppose a little later on you may get more money for the mine?

Sir Henry Thornton: Well, I do not see how we can get any less for it.

Mr. Vaughan: We have one of the best areas in the district.

Mr. Heaps: Is it not true if you buy coal you might be able to obtain some traffic that you are not getting now, by virtue of the purchasing of the coal?

Sir Henry Thornton: That is obviously a horse-trading proposition, and it is pretty difficult to answer. There is the opportunity for a little poker there; that is quite true.

Mr. Cantley: My objection to the whole thing is this: why should we have to spend between three and four hundred thousand dollars in that property when, as a matter of fact, you could have bought coal any time since that in the open market for less money than you can produce it.

Sir Henry Thornton: Well, the only answer I can make to that, Colonel, is this; that we had the property which represented a considerable investment, and we felt that in the interests of the proprietor, wo ought to conserve the investment, having due regard to reason and the costs to the Canadian purchaser.

Mr. Cantley: You have to spend between three and four hundred thousand dollars on the property.

Sir Henry Thornton: Was your question based upon this: that since 1922 we have included three hundred thousand in that property.

Mr. Cantley: Yes. You say you would be able to acquire that much?

Sir Henry Thornton: I do not know off-hand.

Mr. Vaughan: We have to keep our mine modernized, the same as any other mine, putting new screens and so forth.

Sir Henry Thornton: The answer to your question is this. We have to maintain the property, the same as any other manufacturing property has to be maintained, and this amount comes in the maintenance costs, Colonel.

Mr. Heaps: You could have bought this coal cheaper in the open market than what you are producing it at the present time?

Sir Henry Thornton: I do not know.

Mr. Heaps: That is the inference I am getting.

Mr. Vaughan: We have gone into that pretty carefully, and if we shut down our mine, the cost of shutting the mine down would amount to considerably more than any additional price we pay for the coal to-day.

Sir Henry Thornton: I think the whole meat of the argument is this, that we have the property, which is a certain investment, and we have to try to conserve that investment.

Mr. McGibbon: What is the average price you pay for the coal you buy in the United States?

Mr. Vaughan: Last year nearly all the coal we bought came from our own mine, and the average cost was $1.26, our average cost at the Rail and River Coal mine last month was $1.07 to the railway, indicating that the cost was going down. The cost is also going down, I understand, this year.

Mr. Duff: Down to $1.10.

Sir Henry Thornton: But Mr. Duff remember if you close that mine there is involved the expense for maintenance and interest on capital which has got to be taken into consideration.

Mr. Duff: You have to buy coal from the United States and if you close down that mine you have got to buy 1,600,000 more from outside mines and I say keep your mine.

Sir Henry Thornton: I may say in view of the price of coal mining property at present, my judgment is that under present conditions both as to cost of coal and with respect to coal mining property we ought to retain that mine. As soon as we can get rid of it under terms and conditions reasonable, I think we ought to get rid of it. If anybody came to us and asked us to buy coal mining property in the United States we would not look at it, but we have this, and we have got to take care of it. If the Grand Trunk Railway Company had not owned the mine during the war it would have cost that company many millions more for coal and they could not have operated. Up to the war and since the end of the war certain conditions existed and you cannot apply the same rule prior to the war and during the war to the conditions as they obtain to-day. Mr. Fairweather will now continue.

Mr. Hanson: Before he continues, just before closing yesterday I was asking a pretty bald question and you partly answered it—have you anything to add to your observation yesterday remedying conditions as far as the falling off in revenues is concerned.

Sir Henry Thornton: Of course that is a question that ought to be addressed to one of the prophets of Israel. Perhaps Sam Jacobs.

Mr. Hanson: Perhaps it is hard to answer and should not be asked, but in view of the alarming condition, and if I can believe what I read in the paper yesterday, such as indicated that in the revenues for the first week of June there was a falling-off of 25 per cent, which is more alarming than in 1930.

Sir Henry Thornton: I share in your view but the problem is what are we going to do.

Mr. Hanson: I want to know if you are still struggling with the question.

Sir Henry Thornton: The trouble is every banker and economist has a different remedy from a different point of view and probably no one has the right remedy and no one the wrong one, but this may interest you—here is a statement made by a well-known economist at a meeting of bankers in New York on November 4, 1921, and this is what he said, and it may throw light on the situation. This economist quoted eight experts as follows:—

> "The farmer will not buy much from the proceeds of this harvest; and, with the price declines in process throughout the world, there would seem to be very little prospect of any extensive business revival in the near future."
>
> "The general prospect is for slow and irregular business for ten years."
>
> "I expect to see a long and slow recovery to general level of sub-normal, slow business."
>
> "Prices will advance a little from present levels and then fall once more. Recovery will be slow."
>
> "Conditions abroad will continue to affect our business conditions here. It is a conservative estimate to say that ten years must elapse before we can see genuinely prosperous business in this country."
>
> "Business will come back to fair, slow operations in three years."
>
> "The period of readjustment will be long. It will take at least ten years."
>
> "We must expect a slow return to a basis on which business can be done at a profit in about three years."

That was the prediction made by several economists in 1921, and then the economist continued:—

> "These pessimistic forecasts were made on the 4th of November of the year 1921. At that time business was actually improving, although the experts did not know it. Within four months the gain was so marked that everybody could see it. Within sixteen months

business was so far above normal that experts became frightened again. To-day, the major economic factors are more favourable to a rapid recovery of business than they were in 1921. It is my sober belief that just as the depressionists of 1921 were routed, so the depressionists of 1931 are in for a rude awakening."

That represents the opinion to-day of economists who refer to the situation and draw an analogy with the situation in 1921.

Mr. CANTLEY: You might as well go to a fortune-teller as go to those fellows.

Mr. GRAY: In 1921 he did not calculate the Liberal Government was coming into power.

The CHAIRMAN: I hear it stated that one of the leaders of the Liberal party consulted a soothsayer in regard to the question.

Sir HENRY THORNTON: Your question is a pertinent one but I do not know what the answer is. There is no use getting ourselves into a mix-up in trying to seek an answer, but frankly I do not know.

The CHAIRMAN: Mr. Nicholson is not a member of the committee but as he desires to ask some questions we will hear him.

Mr. NICHOLSON: I just wanted to ask one or two questions. Is it fair to assume that the railway cannot be expected to earn a return on the capital valuation as set out on the balance sheet of approximately $2,530,000,000? Is it fair to assume that the railways cannot under normal conditions be expected to earn a return on that sum of money?

Sir HENRY THORNTON: Do you want me to answer that?

Mr. NICHOLSON: Yes. I am not asking it in a critical sense, but it is because I would like to get the views of the management with regard to what action Parliament should take to put the capitalization at a place where the railways can be expected to earn a return on the proper investment of property, and the question is based on the presumption that the capitalization set forth in the balance sheet, an accumulation of years, is not a reasonable capitalization.

Sir HENRY THORNTON: The answer to that question, I may say, must be somewhat prolonged but I will try to make it as short as possible. The answer to that question involves a brief statement with reference to the capital system of the Canadian National Railways. There is no doubt the capital structure of the Canadian National Railway system is that which no private corporation could or would regard as sound. That is largely the result of circumstances and the exigencies of the past. There is a certain amount of money in our capital which has no business to be there. For example, if I recall rightly—and I am just speaking from memory—on such a complicated subject it is not always easy to give absolutely correct figures.

For example, the Canadian Government requires the capital stock of the old Mackenzie and Mann interest, which I think was called then the Canadian Northern System, for $10,000,000, and promptly wrote up the capital to $100,000,000 and took it into the books at that figure. In other words, there is $90,000,000 pure water and it represents no tangible interest as far as the purchase price is concerned and ought to be eliminated. There are a certain number of items of that sort but that was the principal one. Then there is the question of—

Mr. MCGIBBON: Did not the government assume obligations in addition to that. I remember they gave MacKenzie and Mann $10,000,000. Did they not assume certain obligations?

Sir HENRY THORNTON: They must have inferentially, if not directly assumed obligation for bonds and fixed charges, otherwise, the property would have gone into the hands of receivers which the government could not contemplate.

Mr. McGibbon: The government had advanced money.

Sir Henry Thornton: Oh, yes.

Mr. McGibbon: Would not that be the reason of the writing up?

Sir Henry Thornton: I do not think so. As far as the country is concerned the fact remains.

Mr. Nicholson: In considering the matter of capitalization I take it for granted that the capital stock held by the dominion government, and I have only reference to the long term funded debt, the loan by the dominion government, $604,000,000.

Sir Henry Thornton: That is all relative and important, but if you will excuse me I will try to make a connected statement of the situation and it is very difficult to continue a connected statement if questions are asked during the process of it. Then there is the question, should deficits be capitalized or not? They represent money which the Dominion Government advanced to the Canadian National Railway, but back of this stands no tangible property and there again is the question as to whether this should be capitalized. A private company would say no. Sound financing necessitates that the funded debt should represent no more than the money that went into the property for construction purposes whether it be for the road-bed or equipment.

There you have to decide to what extent and at what figure the total capitalization of the Canadian National Railway should be fixed and that problem has not been decided by any government since I have been in Canada. I certainly feel that the subject is one that merits investigation and study and we would be vastly better off, both the government, the railway and the people of Canada, if that question were judicially examined and some conclusion reached. Did you ask the broad question, can the Canadian National Railway be made to pay?

Mr. Nicholson: Not that. Making the railway pay, as I interpret it, would be to put the railway in a position to earn operating cost and return on reasonable capitalization, having regard to the value of property.

Sir Henry Thornton: The answer to that is, given reasonable business conditions in Canada, I say yes, and in support of that statement I say in 1928 when prosperous conditions existed in Canada the railway earned not only fixed charges but $8,000,000 besides.

Now if we could have done that with the capital structure we had, and I personally feel, and bankers generally feel, that it is an unsound financial structure. If we could do that in 1928 with the return of such times or a reasonable approximation of such times, not only could that be done but it could be done to a still greater extent because during this period of depression we, along with other enterprises, have learned a good many tricks in the way of economy and we have been able to materially improve our efficiency and adopt things in our system which might have been overlooked otherwise. That is the same with other corporations in view of the condition, but the plain answer is this: Given that capital structure which any committee of sound financial men would recommend as fair and reasonable and given a reasonable return to prosperous times, the Canadian National system can earn its fixed charges and the interest on its funded debt.

Now, if I undertook to say what a reasonable structure would be or what the deficits of prosperous times would be I would be talking until the adjournment of parliament.

Mr. Heaps: Can you give the committee the approximate valuation of the property to-day?

Sir Henry Thornton: I would not want to answer that offhand.

Mr. HANSON: The fact of the matter is a set-up was to be considered last year by parliament.

Sir HENRY THORNTON: In the first place, about five years ago we tried to find out financially what we had and it took three years to find out what the situation was financially with respect to the Canadian National Railway system. Nobody has any conception of the involved and in many cases inaccurate condition of the books and accounts chiefly because in some cases the accounts were not available—previous proprietory companies did not have the information and we found out there were about 150 different mortgages on the property; they were all of different terms and different rates of interest and different periods of maturity. A mortgage would be first on the property for three or four hundred miles and become a second and third lien and some were guaranteed by the Federal Government and some by the provinces, and the task of cataloguing all those securities and assessing their value was almost stupendous, and when we thought we had come to the end of the road some new mortgage would crawl out of the pile of wood that nobody had heard of before. So the task of finding out the exact financial structure was almost impossible because the proprietory owners had done some queer things with references to the finances, and those problems took nearly five years to go over and to find out what we had.

At that time we did prepare a scheme which I and the financial officers of the company thought sound. It was submitted to three important bankers of international reputation and one Canadian banker and they agreed that if that structure could be brought into existence it would be an excellent thing for Canada as a whole; but, for one reason or another, the government of the day was unable and could not see its way clear to bring it before parliament, and at present the depressed state of business and the condition of the company's earnings and the general uncertainty with reference to the future made it difficult for any banker or committee of bankers or anybody else to say what should be done.

Mr. EULER: The obligations of the system of course have to be paid, but in making a valuation of the road on which your capitalization should be based would you say anything more than the appraisal value of the whole system, whether any other factors than that should be added?

Sir HENRY THORNTON: I think the only sound principle to proceed upon is the funded debt of the system ought to represent the money that went into the property for construction purposes and is represented by tangible assets. How much stock we put out does not matter, but certainly no sound banker would say that the funded debt of any institution should be more than that which represents the tangible assets.

Mr. McGIBBON: As far as the country is concerned, they are not running these roads for to-morrow, but for a hundred and fifty years hence. After you take reasonable fixed capital structure, instead of wiping the rest of the capital away, would it not be better to leave it as common stock of the company?

The CHAIRMAN: Yes. You are entirely right and that is my feeling about the whole thing—the funded debt is represented by assets and the money advanced by the government should be represented by stock which in, say, fifty years from to-day may be paying a dividend, and whatever reasonable stock you should issue against the Canadian National Railway is likely to earn a profit and the country has a right to earn that money back, sometime in the future, if there is any way of doing it.

Mr. EULER: You get rid of this matter of figuring up interest and adding it to your debt.

Sir HENRY THORNTON: That is it. Let me give you this statement which may be of interest; every new country must have railways for developing purposes and those railways have to be built in advance of settlement and development, and there is a certain period in which the railway securities will be in default until the country is settled and traffic appears. Of course, if you proceed on any other theory, no railway will be built for development purposes in any country. What happened in the United States? After the civil war in the United States, west of the Mississippi large number of railways were built for development purposes and the plain fact is that since the civil war of the United States investors of railways of that country west of the Mississippi have lost $3,250,000,000 in attrition of capital. Some of the railways to-day that were regarded as prosperous and recognized as fairly sound investments have passed through sixteen different receiverships. The Santa Fe and Southern Pacific and other railways have passed through numerous receiverships, and every time some of the funded debt was cancelled and stock written down and capital lost. That happened in the United States, and whatever our situation in Canada, and however much Canada may be subject to criticism in its course in respect to transportation, it does not present anything like as bad a picture as the United States. When you build development railways in a new country you bet on the future of the country, and we did that and are still betting on the future, and it is a good bet, but don't let us deceive ourselves that we can build and expect a railway to pay right from the start; it cannot be done.

Mr. Nicholson: The best information I have been able to get is that Class I railways in the United States carry their capital valuation, amounts ranging from $90 to $125,000 of their main line and branch tracks, excluding terminals, passing tracks, etc., and that the capital valuation of the Canadian Pacific Railway excluding ocean and coastal steamships was $70,000 a mile. Would it therefore be fair to place the capital valuation of the Canadian National Railway at $60,000 per mile? I am assuming the general equipment valuation of the Canadian National is reasonable, and I am looking for information that the Parliament of Canada could use to put the Canadian National in a proper capital position.

Sir Henry Thornton: Just offhand and drawing on my own experience of thirty-five years, I think that is not an unreasonable amount—it might be a little on the high side but I do not know as I could argue with you about it.

Mr. Nicholson: To put the figure exactly, capital of $60,000 a mile, that is $10,000 a mile less than the C.P.R. and much less than United States railways, and that is understood because of the difference in density of traffic, but that would place the capital at approximately $1,400,000,000.

Sir Henry Thornton: That is about right. With a long term funded debt now $1,168,565,862.63 and with a capital stock all held by the Dominion government, meant that it really did not matter whether the capital stock was $100,000,000, $200,000,000 or any other figure.

Mr. Euler: Would your $60,000 exclude the equipment?

Sir Henry Thornton: That includes the value of the property as a going concern.

Mr. Nicholson: Exactly.

Sir Henry Thornton: I do not think you are far out of the way. If it came down to making a recommendation I would want to go over the figures more carefully but just offhand I think you are close to it.

Mr. Duff: I think it is a little low.

Mr. Nicholson: Just one more question and I am through, with regard to the question of stock. The Canadian people already own the capital stock of the Canadian National Railway amounting to $265,628,338.70 and it makes no difference to the Canadian people whether the capital stock is $100,000, or $200,-

000 or $300,000. When the time comes when the property can earn fixed charges on the capital and there is a distribution to be made—

Sir Henry Thornton: If the government owns all the stock it makes no difference because the government gets all out of it whether or not the interest is paid. Dr. McGibbon referred to that a moment ago, and I say the funded debt should represent the money that went into the property as tangible assets, and the capital stock represents all the money the government put into the property on the theory that some day when the population is 30,000,000 or 40,000,000 that stock will begin to pay a dividend and the people will be entitled to return on that.

Mr. Euler: What is the use of setting a bad example and having the common stock watered.

Sir Henry Thornton: If we make money after paying interest on fixed charges the country would get it anyway. It makes no difference whether the stock is 1 or 10,000,000 if the government gets all the dividend. But the whole point is this: in many enterprises the capital stock does not represent tangible assets--it represents that mysterious thing known as good-will or prospects of the future or all sorts of things. We know in business capital stock very frequently does not represent any tangible assets; it represents hope.

Mr. Heaps: Would it be possible at a future meeting to give the committee an approximate idea of the physical value of the railway?

Sir Henry Thornton: I think so; we can give you the best of our judgment, but it is not an easy question to answer.

Mr. Heaps: That is all I can expect.

Mr. Power: Can you give the figures you submitted to the government on a former occasion?

Sir Henry Thornton: I would like to take to the Minister about that.

Mr. Nicholson: I would like to ask if the capital should represent the creation of some tangible asset? I believe there was too much money put into that and should not be eliminated to arrive at the proper valuation.

Sir Henry Thornton: Yes, you will have it if it is possible to arrive at it.

Mr. Hanson: I think if we go back to when the railways are absorbed, it is clearly set out.

Sir Henry Thornton: I think you and I in principle are in accord.

The Chairman: Before the discussion is closed, I would like to see some of the debt the railway owes to the Dominion Government remain on the books there, because if the debt is cancelled I see people around here, who, the moment the railway would commence to pay, will be asking for reduced freight rates.

Mr. Power: That is a matter of public policy.

The Chairman: Absolutely, and I have let the discussion go on because it has been interesting and instructive.

Sir Henry Thornton: In considering the freight rates you would have to take in consideration the condition of the Canadian Pacific Railway because there is a large investment in that company which the people of Canada do not want destroyed.

The Chairman: It is good that we have a railway commission to deal with the rates.

Mr. Fairweather: Freight revenue was affected by a decrease in revenue per ton mile from 1·120 cents in 1929 to 1·081 cents in 1930, or 3·5 per cent, and an increase in the average haul of a ton of freight from—

Mr. Hanson: Did we finish with passenger revenue?

Mr. **Fairweather**: We have not got to that.

Sir **Henry Thornton**: That is down below, Mr. Hanson.

Mr. **Fairweather**: —279·36 miles to 300·66 miles, or 7·6 per cent. The average revenue per ton increased from $3.13 to $3.25, or 3·9 per cent. The following shows the comparative decrease in freight revenue, tonnage and revenue ton miles:—

	Decrease	
	Amount	Per cent
Freight revenue	$35,944,408	18.0
Freight tonnage	13,429,622	21.0
Revenue ton miles	2,677,856,077	15.0

There were no important freight rate changes during the year.

Passenger Revenue

The following table indicates the decrease in passenger revenue, passengers carried and passenger miles in 1930, as compared with 1929:—

	Decrease	
	Amount	Per cent
Passenger revenue	$5,588,508	16.9
Passengers carried	2,031,060	12.7
Passenger miles	198,973,393	16.5

The average revenue per passenger decreased from $2.06 in 1929 to $1.97 in 1930, a decrease of 4·4 per cent, the average revenue per passenger per mile decreased from 2·741 cents to 2·728 cents, or 0·5 per cent. The average haul decreased from 75·32 miles to 72·03 miles, or 4·4 per cent.

Express, Mail, Telegraph, and Miscellaneous.

Express revenue for 1930 amounted to $11,488,177, a decrease from 1929 of $2,043,187, or 15·1 per cent. Revenue from the carriage of mails was $3,085,854 in 1930, a decrease of $73,809, or 2·3 per cent. Telegraph revenues were $5,254,798, a decrease of $867,354, or 14·2 per cent from 1929.

Hon. Mr. **Euler**: Were these services profitable or otherwise?

Sir **Henry Thornton**: Which services?

Hon. Mr. **Euler**: Express.

Sir **Henry Thornton**: Yes.

Mr. **Fraser**: Is your express revenue affected to any extent by the carriage of parcels by the Post Office?

Sir **Henry Thornton**: Well, of course, that has been in existence for some time. It would not have any comparative effect, I do not believe, in comparing 1930 with 1929. If it were a new thing, which appeared in 1930, I should say yes, it would have an important comparative effect, but seeing it has been in operation for some time, I do not think there is so much—

Mr. **Fraser**: In your opinion, Sir Henry, is the parcel post rate of the Post Office one that pays its way, or do you know?

Sir **Henry Thornton**: No, I do not know; I cannot answer that off-hand, without making an examination. I really do not know.

Mr. **Fraser**: I understand it does not belong to your department, but I thought you might have some information.

Sir **Henry Thornton**: I do not think I can really answer that.

Hon. Mr. **Euler**: Do you show a profit after making a payment on fixed charges? Do you show a profit after making a payment on fixed charges on your equipment, and capital expended in the express business?

Mr. **Hanson**: We would need a balance sheet to show that; we ought to have a balance sheet.

Sir **Henry Thornton**: The net operating revenues from express services in 1930 were $6,265,000, the operating ratio was 51·2 per cent.

Mr. **Hanson**: It was very profitable.

Sir **Henry Thornton**: Very much so, but I should not like that idea to become unduly prevalent.

Hon. Mr. **Euler**: After paying interest on fixed charges?

Mr. **Hanson**: That is net.

Sir **Henry Thornton**: After all charges have been paid, including——

Mr. **Hanson**: The fact of the matter is, it is a very highly profitable part of the business.

Sir **Henry Thornton**: After a proper adjustment has been made for interest on equipment, the net profit to the residue, the net income, is about $290,000.

Mr. **Hanson**: Of course, you are not giving us very much information, sir.

Sir **Henry Thornton**: I would like to point out this plain fact, and be quite frank with you, the express business is a very profitable business.

Mr. **Hanson**: You are losing your business.

Sir **Henry Thornton**: That is quite true, and as I explained it to you yesterday, we are trying to get some of it back.

Mr. **Hanson**: Let me suggest this to you as a constructive suggestion, the rates on express matter in this country are too high, and that competition you have is going to increase because of your high rates, and that you are going to continue to lose revenue on express by reason of the very highness of your charges.

Sir **Henry Thornton**: All I can say—

Mr. **Hanson**: And speaking of competition, this is a constructive suggestion made in the best of good faith.

Sir **Henry Thornton**: I recognize its very sincerity, and it is made for constructive purposes. The only answer I can give to you is, that we do recognize that situation and it is under examination.

Mr. **Hanson**: That is fair enough.

Hon. Mr. **Euler**: Are these rates subject to the Board of Railway Commissioners?

Sir **Henry Thornton**: Yes.

Mr. **Hanson**: The funny part of it is, every time there is an application to decrease your rates, the express companies, believing that offence is the best kind of defence, ask for an increase in rates.

Hon. Mr. **Euler**: Do they get them—they do not get a reduction, any way.

Mr. **Hanson**: They do not get a reduction.

Sir **Henry Thornton**: The whole point is——

The **Chairman**: It is an interesting and consoling thing to know that the railway companies are taking the express matter seriously under their consideration.

Mr. **Hanson**: That is as far as I want to go.

The **Chairman**: I can say this in respect to passenger rates and passenger traffic, in my district the company is operating an electric road there, and they allow busses to come in and beat them out of two or three of the very best districts, and then they have to go back and buy out these bus companies.

Mr. **McGibbon**: They are doing that all over.

The **Chairman**: They may be doing that in other districts. That is what happened to us. The suggestion Mr. Hanson makes may save them something in another way.

Sir **Henry Thornton**: Maybe.

Mr. **Hanson**: I do not wish to follow it any further.

Sir **Henry Thornton**: I think you are quite right, and I appreciate the suggestion.

Mr. **Kennedy**: Do you think you are getting fair treatment in connection with the carriage of mails throughout Canada?

Sir **Henry Thornton**: Well, of course, I suppose, strictly speaking, no railway would regard fair treatment in anything unless they got 100 per cent of the business available.

Mr. **Hanson**: You mean, as between the different railways?

Sir **Henry Thornton**: Broadly speaking, the government divides the business between the two companies on a judicial basis, and it is practically a 50-50 split. The Canadian Pacific Railway get a revenue of about $326,000 a year more than we get, but it is practically a fifty per cent division. We have no complaint to make about that although we will always strive, just as the Canadian Pacific will strive, to get as much as we can.

Mr. **Hanson**: I think the question was directed to the question of rates. It is a matter of negotiation between the government and the company, I understand.

Sir **Henry Thornton**: It is not very much of negotiation. I think the government usually says what it is going to pay and that is the end of it. I am bound to say the government has always been reasonable.

Mr. **Hanson**: The reason I asked you is this; in my community I have occasion to transmit a good deal of correspondence to Edmundston, the mails have always gone on the Canadian Pacific Railway. I mail a letter to-day, and it is picked up the next day, and I can get a reply in four days, which is most inconvenient to business; whereas, if it went by the National line, we could get rid of a letter to-day, it would go out to-night, get in Edmundston the next day, and be answered that day, and back the next morning. I tried to get a service established there. The rate that the district superintendent told me he would have to pay if the National Railway were to get the business, seemed to be astonishingly high to carry mail to Edmundston from Fredericton and back.

Mr. **Gray**: Before we leave this,—I was called from the committee for a minute and did not hear what was going on. The drop in telegraph revenue, is it partially due to reduction of service?

Sir **Henry Thornton**: I do not think it is so much due to that as it is to the general reduction in general business. When business falls off, particularly stock market operations, the telegraph business is similarly affected, and the reduction in telegraph business is more or less in keeping with the percentage reduction of freight and passengers, and almost everything.

Mr. **Hanson**: Just one question, please. With regard to the telephone business, has the competition of the telephone over a period of years resulted in a general decrease of telegraph revenue, or have you followed that up?

Sir **Henry Thornton**: I should think there must have been a decrease, although I have never examined it from that point of view. I have no information about that. Have you any, Mr. Galloway?

Mr. **Galloway**: Generally speaking, I should say the telegraph business has been able to hold its own, but of late years the Bell Telephone competition has been very keen, and is getting keener than ever.

Sir **Henry Thornton**: In view of the telephonic communication, there is a tendency to take the telegraph business away from the railway company. We know that; the speed with which long distance calls can be put through, and the clarity of communication for long distance in the last three or four years, has very materially improved.

Mr. Hanson: No doubt.

Mr. McGibbon: In fact, a good many telegraph offices have been closed.

Mr. Hanson: That will be an increasing factor.

Sir Henry Thornton: Probably it will be.

Mr. Hanson: Well, now, coming back to the revenues from freight and passengers. Last year, Sir Henry, you told us that you lost $12,000,000, or in 1929, on your passenger service, approximately $12,000,000; what was the operating loss for 1930?

Sir Henry Thornton: You asked this question, Mr. Hanson; what was the loss on passenger service in 1930. And the answer is, $15,815,368. Now, that of course, was accentuated by the decrease in passenger traffic, because it does not cost a railway any more to haul a train full of passengers than empty. Income on passenger travel depends almost entirely upon the degree to which the train can be filled.

Hon. Mr. Euler: Do you say that this loss is attributable to the fact that you have an unnecessary duplication of service as between the two systems?

Sir Henry Thornton: Well there was—that is true to an extent. Earlier this year the Canadian Pacific Railway and ourselves embarked upon an examination of the whole passenger mileage situation to see to what extent we could, without damage to either system, reduce unremunerative service, and to some extent competitive service; and the two traffic departments of the respective railways examined that situation very thoroughly, and the result is that we reduced, or will have reduced before the year is over, at the rate of—I would put it this way—we have reduced our passenger mileage at the rate of approximately three million passenger train miles per annum, and the Canadian Pacific made a reduction, but not so much, because their mileage was not so great.

Mr. Hanbury: Can you give us what the percentage would be to your total?

Sir Henry Thornton: I cannot give you that off the bat, but I can give it to you to-morrow.

Mr. Burnap: 12·4 per cent.

Sir Henry Thornton: 12·4 per cent, Mr. Hanbury, rail reduction.

Mr. Hanson: The C.P.R. is comparable?

Hon. Mr. Euler: Do you think that you have arrived at an irreducible minimum?

Sir Henry Thornton: I think we have. You always get up against certain problems when you want to take off a passenger train; naturally every community dislikes it, no community wants to—

Hon. Mr. Euler: I am referring to the competitive end of it.

Sir Henry Thornton: Yes, I think we have. For instance, we took off our Confederation this year, and the Canadian Pacific have reduced their service. I should say, broadly speaking, there is not very much waste to-day in competitive service as between the two companies.

Mr. Hanson: Take the service from here to Montreal. What reduction has there been in the competitive service? The Canadian Pacific Railway have taken off one train, so far as I know.

Sir Henry Thornton: Can you answer that, Mr. Burnap?

Mr. Burnap: I cannot, off-hand. I can check that up. We checked up with the Canadian Pacific, and both reduced as far as they thought could be—

Sir **Henry Thornton**: May I just say to the officers, that they speak louder in order that the members and the reporter may get their remarks.

Now, did I answer that or not?

Mr. **Hanson**: I am speaking of the competitive services to Montreal and Ottawa. So far as I can find out, there has just been one train taken off, and that is the Canadian Pacific train to Montreal in the morning, and the train on Saturday. You have not taken off any.

Mr. **Burnap**: We have taken off one train, sir.

Mr. **Hanson**: What train was that?

Mr. **Smart**: Number 52.

Mr. **Hanson**: What train is that?

Mr. **Smart**: The one that left at four something in the afternoon.

Sir **Henry Thornton**: We each took off a train.

Hon. Mr. **Euler**: How many trains are there between Ottawa and Montreal?

Sir **Henry Thornton**: I cannot give you that off-hand.

The **Chairman**: Yesterday a gentleman came to see me from Montreal, and he told me that there were only three passengers on the chair car that he came on. That does not look like a very profitable proceeding.

Mr. **Burnap**: As a matter of fact, at the present time we have three local trains between Montreal and Ottawa, and one through train, that is, the Montreal to Vancouver train that runs over the same track.

Mr. **Hanson**: Four each way.

Mr. **Burnap**: Four each way.

Mr. **Hanson**: How many on the Canadian Pacific Railway?

Mr. **Burnap**: I think they have seven.

Sir **Henry Thornton**: May we go on, Mr. Chairman?

Mr. **Fairweather**: Railway operating expenses—

Mr. **McGibbon**: May I ask a question there, Sir Henry. Looking at your report, I see your operating expenses have decreased about $26,000,000, and loooking at the details over here, I find there is a difference in maintenance of eight and a half millions, maintenance, equipment, six and a half millions, and so on. The point I want to make is this; is most of this practically automatic. For instance, if you do not run a train you do not burn coal, you do not use oil, you do not pay wages, and your equipment is not worn out to the same extent.

Sir **Henry Thornton**: Undoubtedly a percentage is automatic. It is very difficult for anyone to say just what the effect of competition on any traffic is, in percentage.

Mr. **McGibbon**: Going over it, it struck me that about twenty millions out of that twenty-six millions were automatic.

Sir **Henry Thornton**: I should think a certain amount of that was automatic. I can only say in answer to that, this, as I undertook to explain at the previous meetings, we ration our xepenses so far as they are controllable, month by month. I think I explained to you that there was a meeting of each region about the 25th of each month, and at that meeting, all spending departments are represented, with the general manager of the region as chairman of the meeting. An estimate is made of the probable gross revenue of that region for the following month, and having regard to the probable gross revenue, and effort is made to allocate the expenses to those different primary accounts, with regard to that gross revenue. Transportation expenses are to a considerable extent uncontrollable. That is, there are certain expenditures from which there can be no escape. For example, if a station is open, you must have a station agent; if business is good, you may have two or three clerks, but if business is bad, you naturally reduce the station force, but you cannot get below the agent. To a certain extent, the same thing is likewise applicable to your maintenance work. You cannot reduce the section gang, you must always have a section foreman, and enough men to maintain the safety of traffic, and take care of emergencies. You must, for instance, have enough men in a section gang, if a broken rail is found, to be able to renew that rail and replace it. So that, you get to a certain irreducible minimum. At these monthly meetings, an effort is made by the officers themselves in charge of their respective departments to reduce their expenses, having due regard to the maintenance of the property and safety of service, to keep those expenses at a minimum. Each year we are finding newer avenues for economies, for economical reduction of expenses. That is going on continuously.

Mr. McGibbon: What I had in mind, Sir Henry, was this. Outside of this automatic decrease in business, there was not very much of a decrease, probably about six millions dollars throughout the whole system.

Sir Henry Thornton: I do not know whether we can get it or not. Mr. Fairweather is the Director of the Bureau of Economics, and one of his functions is to study those statistics, and keep in touch with them, may be able to give you some information on that. Perhaps he can give him a better statement on this point than I can myself, although I am in touch with it. At the same time, it is quite impossible for me to keep in my mind all of the innumerable number of things and figures which develop on the railway. Perhaps, Mr. Fairweather, you can make a statement which would throw some light upon the situation.

Mr. Fairweather: Well, I may say to that, the analysis of operations of a railway company, for the purpose of telling whether or not the management has efficiently operated that property is, of course, a highly technical problem. It involves a close study of the detail of the accounts representing the expenditures made, and what was obtained for that expenditure. It is a subject which has engaged the attention of technicians in railway matters now for some ten years, and it is basicly dependent upon the conception of the railway as a manufacturing concern; that is, that the railway is producing transportation. Just as in the case of any other manufacturing concern the expenses will be found, upon analysis, divisible into those which are independent of use, and those which are dependent upon use, and the determination of the basic principles underlying that division is a long and complicated study. I may say that at the present time the American Railway Engineering Association has a committee that is charged with carrying on that work, and I happen to be a member of that committee. We in the Canadian National Railway have been analyzing our accounts year by year in accordance with a formula representing the best known accounting practices, with regard to railways. I may say here that without exception, the inherent efficiency of the management of the Canadian National Railway has increased each year from 1923 on. There has not been a year in which there has been a retrograde step in the inherent index of management efficiency. That is true, although it may seem strange, even in the year 1930, in the face of the depression, the inherent index of management efficiency went up. The reason that the Canadian National Railway, in common with all railways, suffered such a drop in their net revenue, was not due to inefficient management, it was simply due to the fact that the operating expenses of a railway —I will speak roughly—are divisible 33 per cent or 35 per cent fixed, and about 65 per cent controllable.

Mr. Hanbury: Without interest on capital?

Mr. Fairweather: Purely operating account, and, of course, these percentages are charged on every individual account, and the percentages adopted for each individual account have been determined by the concensus of opinion of the best technicians of the United States railways and ourselves.

Mr. McGibbon: I am afraid you did not get my point. Out of this $26,000,000 decrease in operating expenses, it seems to me that about $20,000,000 of it is automatic, and not very much more than $6,000,000 of a decrease otherwise in the whole system.

Mr. Fairweather: Well, sir, in answer to that, I might say I would ask for a definition of what you mean by "automatic".

Mr. McGibbon: I am just taking your statement. For instance, maintenance of way, there is a drop there of $8,600,000, perhaps no doubt due to the decreased traffic.

Mr. Fairweather: But the management had to step in and make that decrease, the management had to see to it that those materials were not applied, the management had to see that the staff was reduced when the traffic fell off, and it is in the application of the management that you get this apparent automatic reduction.

Mr. McGibbon: Well, in part.

Mr. Hanson: Mr. McGibbon is saying that the $20,000,000 decrease is due to the falling off in traffic, and that there has not been a decrease in the other elements.

Mr. Fairweather: There has, sir, there has been an increase in the efficiency of operation.

Mr. Hanbury: How does the ratio compare with other years?

Sir Henry Thornton: I think this whole question may be a little prolonged, but it is perhaps interesting. Mr. Fairweather, whose functions are the study of all things of that sort, can give you a better statement of the whole situation than I can. Will you just go ahead now, Mr. Fairweather.

Mr. Fairweather: Well, continuing in the general discussion, not only do we compare the operating efficiency of our own railway with ourselves in different periods to see whether we are doing better or doing worse, but we also compare our operating efficiency with other railways to see whether we are keeping pace with those other railways, and as I say, these analyses are technical, but when you do make an adjustment for the main factors, and analyze the comparison, that is, the density of traffic which affects the division of the expenses as between overhead and those expenses which are the direct expenses proportioned to traffic, I say when you make that comparison, and compare the absolute operating efficiency index of the Canadian National Railways with other railways, you find this, that as compared with Class I railways of the United States our absolute index of operating efficiency stands four per cent higher than that of the United States roads.

Sir Henry Thornton: Have you figures to support that statement?

Mr. Fairweather: Well, I have here, class 1 roads of the United States have a density measured in traffic units 2·07 times as great as that of the Canadian National. Their apparent efficiency of operation if adjusted to the difference in traffic density, would indicate that they were operating 20 per cent more efficiently than the Canadian National, but when you adjust that index to traffic density, you find that the Canadian National Railways are operating slightly more efficiently than the average class 1 road.

Sir Henry Thornton: May I just interrupt Mr. Fairweather to say that you must keep in mind, in the examination of statistical information, furnished to any railway, particularly the matter of expenses, that it is based largely on the foundation of traffic density. That is to say, the greater the traffic density automatically the more efficient the operation becomes, and applying that to our railway, we have a very low traffic density, because our railway is a development railway, it was built in advance of settlement, and for the purpose of attracting and developing settlement, so that in any comparison that is made, you must take into consideration traffic density. Take for instance the London & Northeastern Railway in England. That railway has a main line mileage of approximately 6,000 miles. The mileage of the Canadian National Railway is something like 22,000 miles. The gross revenues of the two companies are precisely the same, or nearly the same. In other words, on one railway you have the same gross revenue concentrated in 6,000 miles, and on the other railway, you have the same gross revenue distributed over 22,000 miles, or more than three times the mileage; so that you will easily see that one of the large factors which enters into the consideration of any railway problem is, what is the traffic density on that particular railway? and allowance has always to be made for it.

Mr. FAIRWEATHER: To further illustrate the point—

I would further illustrate the point by taking the general account of maintenance of way and structure. There you find that Class 1 roads are apparently 30 per cent better than the Canadian National Railway. When you correct for the traffic density, you find the Canadian National Railway is just as efficient, the reason being about two-thirds of the maintenance of way and structure expenses are independent of traffic, and on a light traffic line your unit cost of maintenance of way and structuure must of necessity be high in spite of efficient management.

Take transportation account which is an important item, that is affected, but to a lesser degree by the density of traffic. When you give us the advantage of having more tonnage to move you find we are operating ten per cent better on transportation than Class 1 roads.

Mr. McGIBBON: On page 7, take the employees compensation, 1930 and 1929 the decrease in maintenance of way and structures is three and a half millions and in maintenance of equipment a decrease of two and a half million—and transportation seven million. Those are practically all automatic decreases, are they not?

Sir HENRY THORNTON: In a sense, yes, although here is where the management intervenes. I do not mean to say this management, but I am speaking about railways in general. For instance, you have a falling off in traffic. Now, the management has got to say from its experience the standard of maintenance which the character of traffic demands on different parts of the railway system. For example, the standard of maintenance necessarily between Montreal and Toronto would be a much higher standard than that which might be necessary on some of the western lines and the management has to draw on its business management to say, having regard for the circumstances which surround each individual part of the railway what that standard must be, and unless that intervention is made and unless the management exercises its intelligence in respect to things of that kind, then no reduction becomes possible, or you might find yourself in the position of maintaining one line at a higher standard of maintenance than the condition of traffic demands.

It is quite true what Mr. McGibbon has said that a large proportion of reduction of expenses is automatic, but unless the management takes advantage and directs and guides the distribution of expenses, besides the character of maintenance and a great many problems, no saving will be made.

Mr. HANSON: I think we agree in theory on that, but that is not the practice, let us get down to brass tacks. On page 4 you show a decrease on railway operating revenue of something over $46,000,000, and on page 6 at the foot, you show only a decrease of $26,000,000.

Sir **Henry Thornton**: Yes, that is right—there is a difference.

Mr. **Hanson**: They have not kept pace one with the other, and Dr. McGibbon suggests of the $26,000,000, $20,000,000 is automatic, leaving $6,000,000 for all the other things. In view of the alarming situation I do not want to lay too much stress on it, but I am alarmed and a great many members are alarmed, at the situation and we should not be classed as enemies of the road because we are alarmed, but how are we to meet the situation? And are we meeting losses in revenue and decreases in revenue by a corresponding decrease in railway operating expenses—I fear we are not.

Sir **Henry Thornton**: In answer to that I may say the management shares your alarm and entirely shares your anxiety, and certainly the object of the railway and administration is to present as large an amount of net earnings as possible. There can be no other object, because to pursue any other course would be simply stupid. Every day and every week the vice presidents and myself are meeting to see what new methods of real economy can be introduced and in developing those methods and bringing them into effect we must necessarily draw on such technical experience as we have. We must, for instance, decide how far road maintenance may go without accumulating a bill for deferred maintenance which might be in the last analysis much more expensive.

Mr. **McGibbon**: Or impair efficiency?

Sir **Henry Thornton**: Yes. We must have certain character and frequency of service to the best of our ability and decide the degree to which the frequency of service can be reduced, without retarding the development of the communities we serve. In our transportation expenses, in administering those we have to see to what extent we can consolidate divisions and general superintendents and to what extent eliminate our movement of trains and all the other thousand and one things that enter into the operation of a railway. And all I can say is the vice presidents and myself are thoroughly seized of the seriousness of this situation and do everything which our intelligence tells us to do towards reducing expenses. We want in your own interest, if for no other purpose to make the net earnings as big as possible because the bigger they are the better for the country. We have no interest as an executor in maintaining a higher order of efficiency which is not justified. We would not last five minutes were we to do so, and please remember that the railway business is a profession—it has its ethics and principles. The reputation of a railway officer is exactly like the reputation of a lawyer or doctor. If he has a good reputation he will succeed, and if he forfeits that reputation he will not. So looking at it from a selfish point of view the officers—and I venture to include myself—have no other object than to try to operate the railway as economically and intelligently as our experience will enable us to do.

Mr. **Hanson**: I welcome that declaration. As far as I am concerned I am not going to pursue the question any further. Sir Henry Thornton says he is seized of the situation and we must leave the thing for you, Sir Henry, to work out and we rely on your methods.

Sir **Henry Thornton**: There are very few nights I do not take a bundle of reports and worry over them until morning and wonder how the devil can we save more money. And I have spent a good many sleepless nights, and Mr. Hungerford has also, to try to find a way to reduce expenses. Remember we have a personal pride in this railway system—we have built up a certain reputation, and I think we have earned a certain confidence in the public mind and we do not want to forfeit that confidence. We do not want to make a mistake any more than a doctor at an operation. We want to say to the people of Canada we have done the best we could and to say to them if they can show any better way, we want your advice.

Mr. HANSON: As a layman we could not be expected to do that, but having had the principle accepted, I say it is up to you to carry it out and the people of Canada are expecting you to respond, individually and collectively.

Sir HENRY THORNTON: That is a fair statement and we welcome that statement and will do our level best.

The Committee adjourned until Tuesday, June 16, at 11 o'clock.

SESSION 1931

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 5

TUESDAY, JUNE 16, 1931

WITNESS:

Sir Henry W. Thornton, K.B.E., President of the Canadian National Railways.

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1931

MINUTES OF PROCEEDINGS

TUESDAY, 16th June, 1931.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, met at 11 a.m. Hon. Mr. Chaplin, the Chairman, presided.

Members present: Messrs. Bell *(St. Antoine)*, Bothwell, Cantley, Chaplin, Euler, Fiset (Sir Eugene), Fraser *(Cariboo)*, Gray, Hanson *(York-Sunbury)*, Heaps, Kennedy *(Peace River)*, McGibbon, MacMillan *(Saskatoon)*, Manion, Rogers, Stewart *(Lethbridge)*.

Sir Henry Thornton supplied answers to questions asked at the last meeting respecting:—

(1) Amount of grain shipped through Port of Vancouver, 1930.
(2) Balance struck between Canadian grain moving for export through American ports and American grain moving for export through Canadian ports.
(3) American grain moved through Canadian ports.

Sir Henry Thornton made a statement respecting salaries paid to officials of the Canadian National Railways. A protracted discussion followed.

On motion of Mr. Heaps,—

Resolved,—That the question of salaries and emoluments received by the officials of the Canadian National Railway system be referred to a sub-committee of five for consideration and report.

The Chairman named the sub-committee, viz., Messrs. Euler, Heaps, McGibbon, Hanson and Rogers.

A copy of each of the undernoted documents was distributed to every members of the Committee, viz:

1. Canadian National Railways Operating Budget. Minutes of Regional and Departmental Budget Meetings. March 1931.
2. Canadian National Railways Operating Budget. Headquarters System Control. March 1931.
3. Canadian National Railways Analysis of Operating Results. April, 1931.
4. Canadian National Railways Operating Statistics Report No. 1. April. Train Mileage.
5. Canadian National Railways. Estimated Financial Requirements 1931.
6. Canadian National Railways (excluding Grand Trunk Western Railway and Central Vermont Railway) 1930 Estimated Financial Requirements Compared with Actual Requirements Summary.

Sir Henry Thornton addressed the Committee briefly in explanation of the contents of documents Nos. 1 and 2, as listed above.

The Committee adjourned until to-morrow, Wednesday, 17th June, at 11 a.m.

JOHN T. DUN,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 231,
TUESDAY, June 16, 1931.

The Select Standing Committee on Railways and Shipping met at 11.00 a.m., Hon. Mr. Chaplin presided.

Mr. HANSON: Mr. Chairman, in the discussion the other day with relation to the purchase of the Canadian Northern Railway stock, everybody of course knows that $10,000,000 was paid for the stock, and it is carried to the capital structure at $100,000,000. Those of us who were not in parliament in 1918 when that happened would like to have a statement as to just how that was done in that way.

Hon. Mr. MANION: That $100,000,000 worth of stock was put to a Board of Arbitration, and the Board of Arbitration said it was worth $10,800,000. The government paid $10,000,000, so that while it is carried at $100,000,000 in the Railway Balance sheet it really cost the government of Canada $10,000,000, and that is part of the proposal in regard to refinancing, for example, that $90,000,000 should be written off. I read the report of the meeting the other day, and Sir Henry was not quite right when he said it had been written up, nor was the other party right who said it was written down. As a matter of fact, it was $100,000,000 for which the government of Canada paid $10,000,000.

Mr. HANSON: It is capital stock of a par value of $100,000,000, and it is carried into the capital structure at the issued par value.

Hon. Mr. MANION: Yes, although the government only paid $10,00,000.

Sir HENRY THORNTON: I was a little careless in making the statement. I did not want to make a wrong impression.

There were certain questions asked at the last meeting which I take it you would like answered first.

Mr. Hanbury asked as to the amount of grain shipped through the port of Vancouver for the year 1930. The answer is 64,296,404 bushels.

Mr. Heaps asked what kind of balance is struck between Canadian grain that moves for export through American ports and American grain that moves for export through Canadian ports. The answer is as follows—and this is, incidentally, for the year 1930 which was an abnormal year, a peculiar year, and certain allowances must always be made for the exigencies which surround the year under discussion; but the answer for 1930 is this:—

Canadian grain moved through American ports during 1930, 72,277,730 bushels.

Total Canadian grain exported during 1930, 216,670,052 bushels.

Percentage through American ports to total, 33.3 per cent.

American grain moved through Canadian ports during 1930, 19,282,109 bushels.

Total American grain exported during 1930, 125,065,944 bushels.

Percentage through American ports to total, 15·4 per cent.

I gave a figure at the last meeting which I think would have indicated a good deal higher percentage, or a larger volume of American grain through Canadian ports than this figure here. This is for the calendar year. The figure I gave you was for the crop year, and I am not so sure but that the crop year is the better yardstick by which to measure it.

Mr. HEAPS: That is for one year which you claim is an abnormal year. Would it not be better to have something over a period of years, say four or five years?

Sir HENRY THORNTON: I think it would. I doubt, as a matter of fact, that that really gives you very much in the way of information. We know what you want. What you want to find out is on the average how much American grain goes through Canadian ports and how much Canadian grain goes through American ports taken over a period of years, and if you will let that stand we can have that by the next committee meeting and, I think, give you a more comprehensive statement.

Mr. Hanson asked a question in regard to American grain which moves through Canadian ports, how much of it was moved by Canadian railways, or in what way, if at all, did the Canadian railways profit by that movement. This again, Mr. Hanson, is a calendar year, and a very abnormal year. The answer is: Of the American grain which moved through the Canadian ports the Canadian National Railway handled 2,468,347 bushels; but that again is a figure that is distorted by the abnormalities of the year under consideration.

Mr. Chairman and gentlemen, at one of the previous meetings of this committee certain questions were addressed to me with respect to my own salary and the conditions under which my employment exists with respect to the Canadian National Railway system, and there was also a reference to the salaries of other officers. I would like to make a brief statement with respect to the whole situation.

The salary which I am paid personally, and the allowances which are made to me on account of what is regarded to be necessitous obligations of my position, were determined by an arrangement with the Board of Directors of the Canadian National Railways, and approved by that board late in 1929. The salary is a contractual obligation existing between myself and the government of Canada. The additional allowances received the approval of the Board, and were regarded as those allowances which were essential for the carrying out of my responsibilities. All of those salaries and allowances were duly approved by the Board of Directors, and that part of the allowances which are not a contractual obligation between myself and the government of Canada were within the knowledge of the late government and had the approval of that government.

Since the officers of the Canadian National Railways and myself have been associated in the administration of this property, we have endeavoured to carry out our responsibilities with fidelity and with honesty and, we hope, with intelligence. The results speak for themselves, and each member of this committee can draw his own conclusions.

With respect to the rate of pay which I received, and the other allowances, I can only say that they are in keeping with what is generally paid for such services on the North American continent, and in some instances, are materially less. There has been no deviation, or alteration or change of any sort in my salary, my allowances, or my condition of services since 1929, or when the last arrangement was concluded with the Board of Directors of the Canadian National Railways and the government of Canada. The present situation is just what it was at that time.

I have nothing more to say upon the subject, because I feel that any further action which should be taken should be left to this committee. I can only give you the statement as to how my terms of service were arranged, and give you the assurance that it was approved by the Board of Directors, was within the knowledge and approval of the late government, that there has been no alteration since that time, and that it is in accord with the general rate of pay for such services elsewhere.

With that statement, gentlemen, I leave the matter in the hands of the committee to decide what action you wish to take.

Mr. **Bell** (St. Antoine): May I ask you this question, Sir Henry: has your salary and the salaries of the other officers been brought to the attention of the new Board of Directors?

Sir **Henry Thornton**: I do not think they have been specifically brought to the attention of the present board. The salaries of officers are generally supposed to be tacitly contractual obligations unless there is thought to be some reason for change on the part of the individual who is the superior of the officer in question, or the Board of Directors itself. There has never been a specific discussion of officers salaries in general with the present Board of Directors. And I might say, as I have said before, that all of these salaries are matters of Board action and must have the approval of the Board. The officers of the railway company may alter salaries less than $9,000 per annum. Over that any alteration in salary must be submitted to the Board of Directors, and cannot be effective until it has the approval of the Board of Directors. So that practically speaking, in fact definitely speaking, all salaries are subject, first, to the approval of the Board of Directors, and they remain as fixed by the Board until altered by the Board.

Mr. **Heaps**: How often does the Board meet?

Sir **Henry Thornton**: Once a month. There is an executive committee which meets usually once a week. At rare intervals sometimes when there is not much business an executive committee will be passed; but for all intents and purposes you can say that the executive committee meets once a week. That executive committee has all of the power of the Board. That is to say, that the executive committee takes action with respect to a certain matter and, in the judgment of the executive committee, the matter is urgent, it is so marked and then by the by-laws of the company it becomes the action of the Board. The minutes of the executive committee are sent to each member of the Board to examine them, and sometimes there is a discussion at the next meeting of the Board.

Mr. **Heaps**: How is this executive committee appointed?

Sir **Henry Thornton**: It was really appointed by informal consultation between myself and the members of the Board and, of course, the Minister of Railways as representing the proprietor. I can tell you who the members of the executive committee are.

Mr. **Hanson**: I suppose it is set up by by-law.

Sir **Henry Thornton**: Oh, yes, it is set up by by-law. Technically it is appointed by the Chairman, but practically speaking it is the result of just a general informal discussion to find out just what is the most appropriate thing to do. At the moment, it consists of Mr. Labell, our director in Montreal, Mr. Morrow, our director from Toronto, Mr. Boyce, Mr. Moore, Mr. Smart, representing the government, as deputy minister, and Mr. Morrow, our director from Quebec, and myself, together with Mr. Ruel, the legal Vice-President.

Mr. **McGibbon**: Sir Henry, I brought this matter up, and I wish to predicate my remarks with this statement: I do not intend to say what you or any of your officers are worth. You may be worth a great deal more than you are getting. I do think, however, that whatever it is it should be specified in the contract with the government. That contract is for $75.000 plus a reasonable amount for expenses.

Now, if nobody else will tell you I am going to take the liberty of saying that the popular opinion is you are drawing over $150,000.

Sir **Henry Thornton**: I wish it were true.

Mr. McGibbon: Well, I am just telling you what the public at large are talking about, and that you are living in a house for which you are charging $20,000 a year, in addition to your salary, and that public money is being paid out, at least railway money on behalf of yourself and directors, all of which should come out of their own private pockets; that is rank extravagance in the way of salaries all the way down from the top to the bottom, and that men are being retired at ridiculous retiring allowances, and that previous to their retirement their salaries had been boosted so that they could retire at around $8,000 or $10,000 a year.

I am not going to take the time here to go into all the things. I have put a number of questions on paper there which will bring out the information that I am seeking, but I think it is in the interests of the public that they should be answered, because they are talking about it every place, in other words, that the National Railways is a fertile field for graft, to use a common expression. I am not saying these things are true, but it is being said all over the country, and I do say it is in the interests of the National Railways and it is in the interest of the public to have this matter cleared up. I do not for a minute say this is true, but I have heard it said that your personal expense account has run over $100,000 a year. Personally I do not believe that. I do not mind telling you that the public are saying that.

We cannot conduct an enterprise of this kind under suspicion. I think I am safe in saying that, and I think if a frank statement were made to the committee it would be in the best interests of all concerned. We all recognize that the job is a big job and we are not antagonistic to the success of the National Railways. It is twelve years since we took the railways over, and I know something of the controversy that took place at that time in regard to keeping the railway. As I stated here before negotiations were entered into at that time to sell the stock of the Canadian Northern to the C.P.R. That was stopped by the government of the day, and being interested as we all are in the welfare of the National Railways, and in the interests of the good name of the government, and in the country at large, a frank statement should be made, and those questions that are on the order paper should be answered. They can be answered confidentially as far as I am concerned; but the statement should be a clear one. Everybody seems to be afraid to say anything about it, but I have taken the liberty, in your presence, sir, to say those things. I have nothing against you or against any of the Board of Directors or the railways; but we are interested in this company, and we are interested in its success.

Sir Henry Thornton: I might say if you will permit me, Mr. Chairman, just this one thing: the officers of this company and myself have only one form of capital, and that is our reputations as railway officers. I venture the statement that none of us are rich men. Not very often are faithful officers of a railway office men of opulence. The only thing that we have to sell is our skill and our intelligence, whatever it may be, and our reputations. Certainly in the maintenance of those reputations, and in the maintenance of our reputations in the professional world, we would have no desire to pursue a course which could only be a stupid course, that is, the course of dealing with salaries of officers and subordinates in any other fashion than that which sound business judgment and a recognition of service and ability would indicate.

The whole question, as I have tried to explain to the committee, was one which rests in the hands of the directors. The Board of Directors represents intelligent business men. There are many operations of a railway which must be left to a Board of Directors, and this is one of the things that has been so regarded in the past.

Hon. Mr. Euler: Mr. Chairman, perhaps it is unfortunate that a debate of this particular form should go on. Dr. McGibbon and I are very good friends, at least I think we are, and I for one regret that we should use a phase such as "a fertile field for graft." I have heard a few little more or less unimportant rumours, that possibly some of the executives are being paid higher salaries than should be paid. I have never at any time heard anybody say that the conduct of the National Railways provides a fertile field for graft, and I for one do not think that that is the general sentiment throughout the country, and I think that I should say that. It is a statement that if—

Mr. McGIBBON: If those questions are answered it will clear the air.

Hon. Mr. EULER: That is not so. It can only do one thing and that is to hurt the National Railways. I said the other day in the House that I had absolutely no defence to make if it can be proven that there is gross extravagance in the management of the railways. It has, so far, not been proven, and surely it cannot be for the benefit of the public to make statements which will destroy confidence in the officers of the company. I really think that that particular expression in itself ought to be withdrawn. It can only do harm and I do not believe it is true.

Mr. McGIBBON: Mr. Chairman, I do not mind withdrawing it. I think I made myself pretty plain. I am only repeating what everybody is saying. I asked the question a while ago that the railway company or the executive refused to answer, I think unwisely. That has done more to create suspicion throughout the country than anything else, because if the answers were not in accord with the agreements with the government all they had to do was to say so. When they refused to say so the public were justified in assuming that there were agreements with regard to salaries which were not being lived up to.

Sir HENRY THORNTON: If you will pardon me interrupting, I simply stated at that time that the Minister was away.

Mr. McGIBBON: No the Minister was here, Sir Henry.

Sir HENRY THORNTON: My recollection is that this question came up when the Minister was gone, and it was the decision of the committee that the matter should rest until the Minister returned. That is my recollection.

Mr. McGIBBON: I know exactly what I am talking about, and it is not right. Those questions were asked on the order paper and they were delivered by the Minister himself in the House.

The CHAIRMAN: Just one at a time, please. Let me make this explanation and it will probably clear the air. The matter came up here and I made my decision respecting it when the Minister was not here. Previous to that time the Minister had those questions in the House. Now, that is where we started from.

Mr. HANSON: And it was decided to let the matter stand until he returned.

The CHAIRMAN: Some member of the committee said "your decision is contrary to the Minister's decision. The Minister gave a decision in the House and you give a different decision here". Now, the Minister is here and he can make whatever decision he likes. As far as I am concerned I am the Chairman of this meeting, and I want you to understand that I am your servant. I am in the committee as you want me to do.

Mr. HANSON: Sir Henry said that these answers were given in the absence of the Minister. In the first instance they were given by the Minister himself. He delivered the answers to the House himself.

Sir HENRY THORNTON: My recollection was that the matter was discussed when the Minister was not here and there was a suggestion made that the matter should stand over till the Minister returned. My own feeling was that I did not care to take any definite action one way or the other in the matter till the Minister did return. I think that was all I said.

Mr. Bell: I am only expressing my own personal views in this matter; but when I asked Sir Henry with regard to this question, if it had been brought to the attention of the new Board of Directors I had a certain specific reason in view for so doing. Certainly if we have a responsible government, and the new directors are appointed, or have been appointed as we know they have been since this new government came into power, I should think that the Board of Directors of the Canadian National Railways in matters of this kind should be apprized of those questions that are in controversy at the present time first. And I would make a motion, if you consider it in order, Mr. Chairman, that the questions as submitted by Dr. McGibbon, and also the questions regarding the officers of the company which have been referred to in this committee, should be submitted to the Board of Directors of the Canadian National Railways, and a copy of those minutes be submitted to the Minister of Railways, then if in their judgment this information should be submitted to this committee, why, then, that course should be followed.

The Chairman: Before the motion is put, you all understand how this matter came about. I have made a ruling. Now, the first thing, in my judgment, that you must do is to get rid of that ruling. That is my opinion about the matter. Do not side-step it by another motion that does not get us anywhere. The point is this: I have made a ruling, and if the ruling does not suit you then rescind it. It is your meeting not mine.

Mr. Heaps: Will you kindly explain what that ruling is.

Mr. Gray: I raised the question then, Mr. Chairman, Mr. Pouliot had asked some questions, and they had been referred as an order for return to the Minister, and had not been answered. Mr. Pouliot came into this committee, and I think the committee decided that having been placed before parliament therefore this committee should not deal with those questions. I raised the point then that Dr. McGibbon's questions—and Mr. Euler immediately followed me—had been before parliament and, while through the Minister they would not be answered we contended that, therefore, parliament had answered them, and that Dr. McGibbon's questions were exactly in the same position as Mr. Pouliot's if Mr. Pouliot's were not to be answered, that Dr. McGibbon's should not be answered while Mr. Pouliot's still were an the order paper. Dr. McGibbon's had been answered by the Minister and, therefore, we were subservient to parliament. I think then Mr. Heaps or Mr. Hanson raised the question, that having been before the Minister we should leave the matter in abeyance until the Minister returned.

I still contend that they are in the same relative situation as Mr. Pouliot's, that they have been before parliament and parliament has stated the situation.

The Chairman: I have no objection to the way Mr. Gray puts the matter before the committee. The stand I took was that Mr. Pouliot's questions and that Dr. McGibbon's questions were not on all fours, that Mr. Pouliot's questions had been actually answered or were in the way of being answered by parliament itself, and that the questions of Dr. McGibbon had not been answered at all, and it had been represented during the absence of the Minister that the Minister had answered them, whereas as a matter of fact all the Minister had done was to submit the questions to the Board, and the answer came back from the Board that to answer them was not in the public interest. That was the position you took as far as the Minister was concerned, and he was not here. I simply made the ruling that in respect of those questions that had reference to current business of the company they would not be answered; but any questions that had reference to the previous year's business would be answered, and in that catagory came the question of salaries, and I intimated to the committee that inasmuch as the President had an agreement with Parliament in which has salary was well known to everyone, it appeared to me to be reasonable that any information respecting the salaries of the under officials should be forthcoming.

That is the position I took. I made the ruling based upon that, and I just simply say this, that if that ruling does not suit the meeting you know how to change it.

Hon. Mr. Euler: May I say that no one has suggested disobeying a ruling of the Chairman. The questions, I take it, were submitted by Dr. McGibbon. Now, a suggestion has been made by Mr. Bell that the questions be submitted to the Board of Directors of the Railways. Perhaps Dr. McGibbon is quite content with that solution.

Mr. McGibbon: I am not.

Hon. Mr. Euler: Well, that is pretty definite. I was just going to say this further: While there may have been some—I might use the word—suspicion as to the former board that was appointed by the late government of which I happened to be a member, I have nothing to say with regard to that; but you have now an entirely newly constituted Board in which I would expect the present government at least to have some confidence, and if they have that confidence why should not those questions be submitted to them. The President has already told us that the question of all these salaries of higher officers must be passed upon by the Board. That clearly indicates they surely are entirely responsible for the whole scale of salaries, and if there is any suspicion that the salaries are too high surely this is a question which, suspicion, if you like, should very fairly be presented to that Board of Directors for consideration. It seems to me that is a very fair suggestion.

Sir Eugène Fiset: Sir Henry has made the statement here that his own salary has been fixed by order in council plus certain emoluments. He has also stated that he was given certain other allowances which received the approval of the Board of Directors of the Canadian National Railways. He has also stated that these allowances, as fixed by the Board of Directors of the Canadian National Railways, have been approved by the Privy Council, as a matter of fact, or by the government.

Sir Henry Thornton: I did not say that. I said it was within the knowledge of the government.

Sir Eugène Fiset: That is exactly what I wanted to know. Then Sir Henry said that the fixing of those salaries by the Board of Directors, was known, let us say, to the old administration. May I take it that the present schedule of salaries that are being received by Sir Henry Thornton himself and by the high officials of the Canadian National Railways have been submitted to the Minister of Railways for his information. I mean the present Minister of Railways.

Hon. Mr. Manion: The salaries of the management have never officially been before the Minister of Railways or the government. I may say that personally I know something of them; but that is personal. So far as officially goes they have never been before the Minister of Railways or the government.

Hon. Mr. Euler: You do not include the salary of the President. That is fixed by the government.

Hon. Mr. Manion: That is before the Minister of Railways and before the government as it is before you, because it is a public document which was passed by order in council I think, in 1928. That, of course, is public property; but the present government has had no discussion at any time dealing with the salaries of officers of the railway.

As Sir Henry pointed out, it is absolutely correct that the salaries of himself and his officers are largely fixed by the directorate. It is true that originally the late government made an arrangement with him at $75,000 a year and—Dr. McGibbon expressed it correctly, "legitimate expenses", some word meaning that,—I do not know that I should even give the figure, but a figure was decided on as legitimate expenses. That is public property because the late government passed it by an Order-in-Council. I am informed that there was no necessity for that, that generally speaking the directors of the company have control of the salaries themselves, and they do not necessarily need to come before the government at all.

The only reason, may I say, that such a discussion as this takes place is because of the condition financially of the Canadian National Railways. If the Canadian National Railways were in a position that it did not require gaurantees of vast amounts or cash assistance from the government of Canada, then I should say that the question of salaries would never get before a committee of this kind at all, because we would not have anything to do with the estimates of the National Railways. They would handle those as a private company would handle its estimates; but in view of the conditions that have existed, in view of the fact that the government of Canada for the people of Canada has to either guarantee or supply immense amounts of money, then naturally I presume it is right that the members of parliament should question so far as it is ethical to question.

Since I have been brought into the discussion—I did not intend to say this, but perhaps I had better make my position clear to the committee—I have read the reports of the committee. I might perhaps apologize now to the committee for my absence, but it was due to illness in my family that prevented me from being here. The committee met all last week in my absence. I was quite agreeable to that and I wired the Chairman to that effect. However, I have read the reports of the committee, as I say, rather hurriedly I admit; but I have read every one of them and the committee, to use a colloquialism passed the buck on to me in regard to Sir Henry Thornton's salary.

I am only a member of this committee just the same as my friend Mr. Euler or Mr. Gray or Dr. McGibbon, or any of the other members of the committee. It is true I am minister of railways and in that way I am in closer contact with the business of the Canadian National Railways than the other members, and possibly have more knowledge of the business of the railway; but having passed the responsibility to me, to use a better term, I am going to pass it back to the committee in this way: that so far as getting the details of Sir Henry Thornton's salary are concerned, or the salaries of his officers, this committee will have to decide themselves how it shall get this detail. In other words, if necessary it will have to vote on what they get, and I am willing to take my position and vote with the rest of them.

So far as Sir Henry Thornton's salary is concerned, he stated here this morning that in addition to the $75,000 and the legitimate expenses which he got by agreement with the late government, confirmed by Order-in-Council and passed by the late directorate, I understood him to say—I may be wrong—that so far as he remembered the subject of salaries had not been discussed by the present directorate. I may be wrong but I understood Sir Henry to say that.

Sir HENRY THORNTON: That is correct.

Hon. Mr. MANION: By the new directorate.

Sir HENRY THORNTON: The question was never raised at any Board meeting.

Hon. Mr. MANION: So that is perfectly clear. He stated as well that he is getting other emoluments, fees, call them what you will; that through an arrangement with the late directorate he is given other fees or emoluments in addition to what was arranged in agreement with the late government.

Now, as to whether all this should be made public or not, I suppose it is more or less up to me to give my personal opinion. And I am not afraid to give my personal opinion on the subject, and I am going to give it here. My feeling is that so long as the government of Canada for the people of Canada have to put up vast amounts of money, or guarantee vast amounts of money, and take, therefore, the responsibility of these vast amounts of money—and remember that the money advanced at different times for the National Railways plus interest and the guarantees of the government of Canada for the National Railways amounts to more than the whole cost of the war—now, I am saying this just because it is a very serious situation, involving the immense amounts of money which the government has had to put up, or guarantee, and is, therefore, responsible for,—it seems to me that it is legitimate to deal with the salaries of particularly the higher officers of the company. That is my opinion. So far as I am concerned, I can see no harm done to the company by disclosing those salaries to the public, and I agree with Dr. McGibbon thus far. I have had people come to me—and I will admit quite frankly that the statement was absolutely untrue—and say that they understood Sir Henry Thornton was getting $300,000 a year. I have had that put to me on two or three different occasions. I personally have heard other statements made that were not true just as that was not true. I know that is not true; but I have heard statements made like that, and because of that I feel that perhaps it might be well to clear the air. However, I am only one member of this committee. The only reason I express that opinion is because the committee put it up to me and I am giving it back to them. I am not going to suggest to the committee what it should do. The committee can do as it likes. This committee can either do as was suggested by Mr. Gray and Mr. Euler, at least pass it back to the directorate, or they can insist on getting the salaries; but they have to decide. I am not going to decide for them. I am a member of the committee and, as I have said, in view of the immense amounts of money involved, in view of the financial liability of this government which is in power, and of the late government when it was in power, and any future governments, because this will go on for a long time, it is quite right, in my mind, that the members of Parliament in Canada should look into the affairs of the company pretty thoroughly, and should not thereby be accused of being enemies of the National Railways. I deny absolutely that I am an enemy of the Canadian National Railways. I am too good a Canadian to be an enemy of the Canadian National Railways, and anybody who is an enemy of the Canadian National Railways is not a good Canadian. I do not think a man should be classed as an enemy of the Canadian National because he wants to get some detail about the vast amounts of money that are being handled. Remember, the National Railways handle something between $200,000,000 and $300,000,000 annually, and in 1928, as Sir Henry will support, they took in $304,000,000. That was the operating revenue in 1928, an immense amount of money. Not only an immense amount of money such as that, but the government has either to supply or guarantee vast amounts of money, and, therefore, I think that people are quite right in demanding information of all kinds about the National Railways without being branded as unfriendly to that railway. And I certainly resent any imputation that this government, or any member of the government, is anything but friendly disposed to the Canadian National Railways. My ambition is—and I have expressed this to Sir Henry Thornton—that perhaps before this government goes out of power the Railway will once again be on a good financial basis. To-day it is not, largely due to the depression I admit; but to-day it is not in that position. It is in a rather serious position. All railways are, but the National Railways particularly a little worse, a good deal worse, perhaps, because of its origin and its general make-up, and because of the building of two transcontinental railways which should originally have been one. That is, to a large extent the truth. I have only tried to make myself clear.

Hon. Mr. **Euler**: Mr. Chairman, when my good friend the Minister made his statement with regard to enemies of the National Railways he was looking rather hard at me.

Hon. Mr. Manion: I like you; that is why I was looking at you.

Hon. Mr. Euler: I know I made a statement in the House the other day in which I mentioned something about enemies of the National Railways, and I want to assure this committee that I absolutely did not have in my mind anybody so far as the government particularly is concerned. I want to make this clear, if I may say so, in this committee, that there have been attacks made, or an attack, but we surely do not want to introduce policies into those deliberations, but because it has been made by certain members of the party against the Canadian National Railways, and if it indicates enemity on the part of the government, then I hope it will be made quite clear that it is not the case. The Minister made it abundantly clear that certainly he is not and the government is not opposed to the railways, and that is a good thing it was said, because the National Railways have some enemies, perhaps not in this room; but I think it is just as well to make it plain. I have nothing more to say. I think the thing that is absolutely at stake, so far as the principle is concerned, is whether you want the public at large throughout the whole of Canada to know what the salaries of the President and his chief executives are. Personally, I can see some reasons where it might not be good for that information to be given out, and I am not going to deny that members of Parliament, generally speaking, have a right to go and get full information about the conduct of the railways, or anything for that matter in which the Dominion's moneys are invested. I think the thing can be carried too far. I do not want to be classed as extravagant, but even if some of the salaries are unduly high I do not think that in the whole scheme of things in connection with the National Railways, involving hundreds of millions of dollars, it amounts to a hill of beans and certainly is not worth while in view of the effect it may have throughout the country in destroying confidence in the National Railways. We all know that rumours are going on throughout the country, most of them false, certainly the one about the $300,000 is so grotesically false that it is hardly worth while considering.

Mr. McGibbon: Are you sure about that.

Hon. Mr. Euler: Yes, I am sure about that.

Mr. McGibbon: What is his salary.

Hon. Mr. Euler: $75,000.

Mr. McGibbon: Is that all?

Hon. Mr. Euler: As far as I know, yes.

Mr. McGibbon: Well, then don't say if you don't know.

Hon. Mr. Euler: Don't say if you don't know either.

Mr. McGibbon: You are making a positive statement.

Hon. Mr. Euler: As far as I know his salary is $75,000. I was a member of the government that fixed that salary. I do not know whether other small salaries are being paid. Do you know? I deprecate this idea of hearing rumours and spreading them around. I heard a gentleman the other day say 'I have heard so and so and I am going to tell it to my constituents, I am going to tell it wherever I get an opportunity.' I say that is absolutely wrong, and I say that anybody who does that is an enemy of public ownership. Imagine me if I heard a rumour about you, Mr. Chairman, or about the Minister of Railways, or about Dr. McGibbon, going out and spreading it broadcast throughout the country. If I print it in a newspaper I would be a proper subject for libel. Men that do that are no friends of the National Railways.

Mr. McGibbon: I do not purpose sitting here being lectured by a member of this committee. The information that I asked for I had a right to ask for. I represent 40,000 shareholders of this company, and if the information was not true, if what I asked about Sir Henry Thornton's salary was not true, then all the government had to do was to say so, and if it was just as the Order in Council said, $75,000, all the government had to was to say $75,000 and that would end it. The fact that they would not say that leads this country rightly to assume that he is getting more and, as I say, I do not purpose sitting here being lectured by the honourable member from Waterloo. If it is not true why don't they say so now. Here is the place to say so. As a matter of fact, everybody knows that it is not true.

Mr. GRAY: I wish to thank the Minister for the very frank statement that he has given to this committee to-day, and in dealing with this particular subject, and having in mind what has been raised this morning and what has generally been discussed, I should like to call to the minds of the members of the committee the very fair and frank questions placed to Sir Henry Thornton which I take it deal not only with the general conduct of the railway as a whole but also the question of salaries from the highest to the lowest officials, and questions of economy from the top to the bottom.

Mr. Hanson raised the question as to whether the management, Sir Henry Thornton and the Board of Directors were cognizant of the very serious condition in which this railway and the country was at the present time, and Sir Henry dealt there and then with that very much at length. It is on the record where he stated that the management were cognizant of conditions, and that they were dealing at this time with that subject. I take it to mean that they are dealing with the matter as a whole, including salaries. I noticed just recently where the superintendent of one of the departments of the railway had passed away and that that position now remains open, no longer to be filled, a question of economy no doubt. To my mind, the question raised by Mr. Hanson and the answer given by Sir Henry Thornton should give complete confidence to this committee and the country as a whole.

I think that Mr. Bell has raised a very, very fair question here—

Sir HENRY THORNTON: May I interrupt you just long enough to say that I did propose, and will in the course of this meeting—submitting to each member of the committee substantial documentary evidence of what steps have been taken to control expenses and to deal with the questions to which Mr. Hanson referred. It is well enough for me to say that we are cognizant, and you will see there tangible evidence that that was a correct statement. I have this tangible evidence here which I intend to submit. It is on the table. We intend to submit all of those documents to the members of the committee, and while the documents will be voluminous, I hope each member of the committee will at least in a cursory way examine the documents, because I think on the face of them they will carry conviction with respect to the truth of the statement to which I have just referred.

Mr. GRAY: I thank you, Sir Henry, for those remarks. That is about all, therefore, I have to say on the subject, Mr. Chairman, except this; having been a member of this committee for a number of years there has always been complete harmony and uniformity with the procedure of this committee and we have been unanimous in all our decisions, and I would like to see—I know all of us would like to see that we should go out of this committee unanimous, that we are not divided on this subject in any way whatsoever.

Mr. HANSON: Mr. Chairman, if I may be permitted I should like to say this to Sir Henry, very frankly that I am delighted he is going to give us in some concrete form the evidence of his desire to meet what I think are the wishes of the committee, namely, to show us that he is struggling with this stupendous composition that lies before him. I had no other object in bringing the matter before the committee except to impress upon them that in my mind, at all events, the situation is very serious, and to get an expression from the management that they are seized with the seriousness of the situation and are grappling with it.

May I say further that I thank the Minister of Railways for the unequivocal stand which he has taken in respect to this matter. I do not think that it is a matter of idle curiosity at all with respect to the question of salaries of executives. As to the legal position, I have no doubt that representing the shareholders of this country we are entitled to the information asked for. Sir Henry's own compensation is a matter of contractual relationship and a public document, and I am not questioning the amount of Sir Henry Thornton's salary, and I do not think that big business men in this country or men who are seized with the importance of big business are questioning it either. I can say this, without any undue egotism, that I have had a good deal to do with big business in this country and I know something of the salaries that are paid to big executives. I am not saying that Sir Henry Thornton's salary is too much. But while I am on my feet I would like to say this that I believe it would be a better line of policy if the Railways would be frank and tell the country just what those salaries are. Those who have been accustomed to dealing with big things will say that they are perfectly all right. The man who is dealing with picayune things will criticize always.

I would like to say to my friend Dr. McGibbon that I regret that he used the phrase he did. I do not quite agree with him. I never heard that the National Railways was a fertile field for graft, and I would not like that to go on the record. What I think he does mean is that there is a suggestion in the minds of the public that there has been a good deal of extravagance in the past. Perhaps there probably has been, but I venture to say under the pressure of present-day circumstances that that day is passed. I venture to say that the very pressure of circumstances will end that sort of thing, if it ever existed, and I do not say it has.

With regard to Mr. Bell's motion, that is a dilatory motion, a sidestepping of the situation. Let us vote one way or the other.

Sir **Henry Thornton**: Mr. Chairman, may I just say this: In so far as this whole salary position is concerned, in so far as my own compensation is concerned it is not a source of anxiety. What happens to me with respect to this railway is of relatively small importance; but what I do have at heart very much is the real welfare of the company and what has happened in the past—and I will give you one or two instances, if you will bear with me, when the salaries of efficient men are made known, the salaries of men who have established themselves in the railway world as men of outstanding ability in their particular line. It sometimes happens that they are immediately approached by other companies and an effort is made to get them away from the Canadian National Railways. As far as my own salary and allowances are concerned I do not care about them. My only reason for objecting to making them known was because it carried with it the essential precedent of doing the same thing with respect to any other officer in the service of the company.

Within the last two months one of our most valued officers, a man whom I considered to be the best man in his line in the whole railway world, was offered a post with another company at a higher salary than he is getting with us. Well, happily he decided to remain. A year or two ago one of our officers, again a man for whom we all had the most respect, and whom we could have only replaced with the greatest difficulty was tried to be induced away from us by another railway company. In one case it was a private enterprise, not a railway company that wanted the services of the first officer to whom I referred. In the case of the second officer to whom I referred it was another railway company.

Now, in an enterprise of this size there must be certain information which it is repugnant to the interests of the railway company itself to be disclosed. I am not speaking about myself at all. Never mind me. It does not matter what happens to me as far as this railway is concerned at all; but what I am interested in is in protecting our own officers and in pursuing that course which is best in the interests of the railway. So in order to cover that situation this whole matter was left to the selected representatives of the government, that is to say, the Board of Directors, in the hope that they would deal with the thing and deal with it properly, and they have done so up to the present time.

Do not misunderstand the statement that I have made. I am speaking about all the officers of this company, and let me say—and I mean this in no disrespectful way—it is exceedingly distasteful to me after all the years that I have put in with this company and I think that some of you may be agreed that I have at least not been lacking in industry but it is exceedingly distasteful to stand up here and be put in a position such as this. I would rather not. I would rather leave it to the board of directors. I am now simply speaking with respect to the officers of the company and not myself.

Mr. HEAPS: I would like to say a word. We have been discussing this matter now for fully an hour. The morning is almost gone, and it would give the appearance that the whole existence of the Canadian National Railways practically depended upon the salaries of a few of the higher officials. I have no desire to withhold any information which any member of the committee is desirous of obtaining. I think once having raised this question here and in the House, a statement of some kind will have to be made ultimately otherwise our work here will have been of very little value. Supposing a statement is given out by an official of the company stating what the official's salaries are, are we in a position to say whether it is a right thing or a wrong thing. The only way in which I can form an idea as to whether the salaries being paid are sufficient or too much for the character of the work that is being performed is by having a comparative statement of salaries being paid for similar positions for a similar class of work. We have the statement here this morning from Sir Henry that other people are receiving somewhat similar salaries as he is receiving. I do not know how that applies to the other officials of the company. Sir Henry made the statement that some of the higher officials of the company have been induced away from the service of the Canadian National Railways by the offer of higher remuneration.

Sir HENRY THORNTON: I might interrupt you, Mr. Heaps, to say from my own knowledge of the wages and salaries paid on other railroads, the salaries of all of our officers are in keeping with similar emoluments elsewhere. In fact I have been at some pains in the past to enquire from those who know what salaries were paid to the Vice-Presidents, the Chief of Motive Power, the General Managers, and people of that sort, and naturally I have had to do that if I was going to fulfil my own responsibilities. Most of those salaries come before the Board of Directors in the form of recommendations from myself as to what they should be. I have got to satisfy myself from inquiry as to what the going wage is, what the going salary should be for certain responsibilities and for certain positions, and that I have done. I can only say that the salaries that our officers receive—and incidentally I might say that their responsibilities are of a very difficult and delicate character, having regard to the public ownership of those railways—and I do not want you to misunderstand me when I speak of that responsibility of our officers; but their responsibilities are not lightened because of these public functions, or because of the railway's public functions, and its public ownership. It requires judgment, it requires tact, and it requires a great many things which an officer of a private railway is not called upon to exercise. He goes ahead and does what he pleases and he is only responsible to his particular chief. I do not complain about that; I have no objection to it. It is the exigencies of the situation. But here is just an example: The principal officers and myself were here most of last week and will be here most of this week and I do not know how many more weeks; but we are here answering questions, giving the best of our intelligence to the questions that have been asked. That is not a thing that happens to an officer connected with a private railway. Understand, we do not object. We realize it has got to be done; but I do want to make clear to this committee that the responsibility on the officers of this company is, as I put it, not lightened by its public ownership feature, and my own desire is to protect in the interests of the company—I am not talking about my own salary at all. I will come and I will go and it won't matter very much; but it does matter a devil of a lot what happens to this railroad as far as the general run of its officers are concerned.

Mr. HEAP: I think when we sit here as a committee and questions are put to the officers of the company we readily realize how much more difficult it is to run a publicly owned utility. I am satisfied that had this been a meeting of directors or shareholders of a privately owned concern a good deal of the information asked for would not be available to the shareholders of that corporation. However, there seems to be a general idea that something should be said or given out in regard to the salaries of the officials. The whole question boils down to this: It has been suggested by Mr. Bell that it should go back to the board of directors of the company and should be considered carefully there. On the other hand, Dr. McGibbon probably wants some other method, and I think it perhaps might be the best thing if this matter were referred to say a committee composed of men who are not directly responsible to this committee here. I think perhaps it might be proper, Mr. Chairman, if a small committee say of this committee could go into this question and report back at some future time. I think it cannot very well be done by questions and cross questions, and I would suggest at small committee comprising five members of this committee, including the Chairman and the Minister along with three other members to be chosen by the Minister himself. I think probably this whole question could be considered and dealt with to the satisfaction of all concerned.

I will be glad if Mr. Bell will incorporate that in his motion in place of referring this thing back to the Board of Directors.

Mr. BELL: The other day when you gave your ruling one of the reasons you gave was that you had attended enough shareholders meetings to know that they were entitled to this information. Now, the situation, sir, is this: As we all know the shareholders get their information from the Board of Directors. I asked Sir Henry Thornton this morning had the new Board of Directors of the Canadian National Railways received this information regarding this particular matter and he stated that they had not. Dr. Manion, Minister of Railways, tells us that he had not in an official way received the information either.

It comes down to this, that we are discussing a question here, first of all, that has not been put before the present Board of Directors. Personally, when Mr. Hanson says that this is dilatory I cannot for the life of me see where he gets the use of that word regarding this motion. I want to know what the opinion of the present Board of Directors is regarding the salaries of the Canadian National Officials at the present time. The second thing I want to do is to discuss the officials' salaries and to get in an official way what these salaries are, and for that reason I am putting the motion before the meeting. I am not trying to keep back Dr. McGibbon's questions. I am trying to get the information for him, but I think it should come in an official way and it will be handed back to the Minister of Railways, and if on the floor of the House we want to make a political football of this thing, well, let us all get in.

Hon. Mr. EULER: Just to get the matter clear in my own mind, is it your suggestion, Mr. Bell, that all those questions submitted by Dr. McGibbon be submitted to the new Board of Directors?

Mr. BELL: No. My motion was to this effect that these questions be submitted to Sir Henry Thornton who will submit answers to them to the Board of Directors and the Board of Directors will in turn make their report and give answers to them to the Minister of Railways and then the information is open to any member of Parliament who has not the information, to ask for it on the floor of the House, or if the Minister prefers, he can give the information.

Mr. HANSON: We are either entitled to the information here or we are not. Let us settle the question and get on with something. We are only going around in circles.

Mr. HEAPS: I move that the question of salaries and emoluments received by the officers of the Canadian National Railways be referred to a sub-committee of this committee comprised of five members.

Hon. Mr. EULER: I will second that motion, Mr. Chairman.

The CHAIRMAN: I was somewhat in doubt as to whether this committee would have the right to appoint a sub-committee; but paragraph 616 of Beauchesne's Parliamentary Rules and Forms reads as follows:

> "Although it is not competent to a Committee to divide itself into sub-committees, it does not seem to be incompatible with this principle, for a Select Committee to avail itself of the services of its members, individually, or in the form of sub-committees, for the doing of many things connected with the business of the Committee, which do not involve a delegation of authority."

Would you put that motion of yours in writing so that I can have it? The member does not mention any names for this committee.

Mr. HEAPS: I will name them if you wish.

The CHAIRMAN: It has been moved by Mr. Heaps and seconded by Mr. Euler that the question of salaries and emoluments received by the officials of the Canadian National Railways system be referred to a sub-committee of five for consideration and report.

Mr. McGIBBON: I do not want to be intruding on the committee but I want to impress on the committee again that all this controversy is simply going to make the public more suspicious, and rightly so. I will just leave it at that. It is just a subterfuge.

Mr. HEAPS: I very strongly object, Mr. Chairman, to the use of the term "subterfuge".

The CHAIRMAN: I will ask the gentleman to withdraw the word "subterfuge." I will submit in its place the word "circumlocution." I am not particularly in favour of this motion, but at the same time I am your Chairman. There is the ruling that I made and I would like you to discard it, get rid of it. However, I am willing to accept this motion and put it to your good judgment. In accordance with the motion I would name the following gentlemen to act upon the committee;—Mr. Euler, Mr. Hanson, Mr. Heaps, Mr. McGibbon and Mr. Rogers.

Mr. HANSON: I think the Chairman and the Minister of Railways ought to be on the committee. As far as I am concerned I do not care whether I act or not.

The CHAIRMAN : Of course, some of you always want to pass the buck to someone else, and what gets me is this: that I made a ruling that I thought was fair and you have disregarded it by circumlocution.

Mr. HANSON: No, we did not, we just delayed it till the Minister got back.

The CHAIRMAN: It is moved by Mr. Heaps, seconded by Mr. Euler that the question of salaries and emoluments received by the officials of the Canadian National Railway system be referred to a sub-committee of five for consideration and report, and the five who will act on the committee are Messrs. Euler, Heaps, McGibbon, Hanson and Rogers.

Hon. Mr. EULER: I have no objection to acting on that committee but it looks as though Mr. Heaps and myself were putting ourselves on the committee.

The CHAIRMAN: I made it quite clear that Mr. Heaps did not name anybody at all, and inasmuch as the four or five I have named have been the ones to shift the burden onto someone else I am going to put upon them the responsibility of getting down to work.

Mr. McGIBBON: I do not think you should include me, I have not tried to sidetrack it.

The CHAIRMAN: You have certainly taken an active part in a certain position on this. I do not want to cast any aspersions on anyone, and I am asking those who have taken part in this to help us get rid of it. I think the easiest way would have been to meet the situation right in its face in the first place. I tried to do that. What is your pleasure regarding the motion?

Motion carried.

Sir HENRY THORNTON: Mr. Chairman, following what I said to Mr. Hanson a moment ago, I shall ask one of the clerks to distribute the documents which accompany what I am about to say. I am sorry these documents are so voluminous, but it is quite impossible to present the case conclusively without them.

Now, Mr. Chairman, these documents represent the operating budget for the month of March, 1931. I am reading from this larger book here. As I said before, I am sorry these documents are so voluminous, but I cannot explain the situation to you without giving to you all of the information we have; and might I also say to members of the committee that there is naturally, a great deal of information here which is relatively confidential, that is, it relates to the inner workings of the railway itself; it represents steps which the company's organization has taken, which the officers at headquarters, the vice-presidents and myself have evolved to control expenses.

Taking this larger book, it represents the minutes of the regional and departmental budget meetings. As I said before, this is merely for the month of march. I might have selected any other month, but this happened to be the month that was easily available, and furthermore, the month for which we have now the definite final figures.

At each one of our regions, about the 18th of the month, as I explained to you before, a meeting is held by the operating officers of the region to discuss their budget for the following month. The first meeting happened to be the regional meeting of the central region. The officers present were, the general manager who presided, the chief engineer, general superintendent, M.P. and Car equipment, general superintendent of transportation, regional auditor, general storekeeper, assistant freight and traffic manager, general passenger agent, assistant to chief engineer, chief travelling accountant, general superintendent, district engineer, superintendent of transportation, chief clerk, general superintendent, assistant engineer, general superintendent, district engineer, manager of electric lines, and the manager of the car ferries. In other words, there were present at that meeting, all of the officers of that region who were responsible for expenditures. Then, you will see that there follows a discussion. For instance, the managers read a statement of revenues and expenses for the month of January, 1929, which, compared with the estimate for the same month, reflected that the revenues had been over-estimated to the extent of $438.081 of which $363,940 was in freight, $10,735 in passenger, and $42,365 in express. Expenses were over-estimated to the extent of $455,026. In other words, that meeting started off generally with an examination of the previous months performances; and then there follows right through—I shall not undertake to read it for you, but if you will examine it at your leisure you will see there was discussed freight revenues, passenger revenues, and then we come to the general comment and discussion of expenses.

Mr. HANSON: The red figures indicate the deficits over the estimates?

Sir HENRY THORNTON: They represent decreases.

Mr. HANSON: Decreases?

Sir HENRY THORNTON: Yes.

Mr. HANSON: All right, that is better.

Sir HENRY THORNTON: Now, I am not going to attempt to read this whole manuscript through. You will find in it the regional meeting of the central region, the western region, the Grand Trunk Western, Central Vermont, in fact, all our property including express department, telegraph department, hotel department, and subsidiary companies. In other words, this document reveals that the responsible officers of the company in their respective territories sat down and thoroughly and carefully examined first the performances of the preceding month to see to what extent they had over estimated or under estimated both revenues and expenses. Every item was discussed in the outmost detail.

Now, at the end of that meeting, officers of that region drew up this monthly budget; that is, the budget for the following month, with their recommendations and how much money should be allotted to them. First, how much money would accrue in the way of gross revenue, and secondly, what money should be allocated for the different items of expenditure. All of those budgets are then examined at Montreal, headquarters, by the respective vice-presidents and myself, together with the director of statistics, who is specially charged with this kind of work, and as a result of that examination, we authorize, prior to the first of the month, each region with respect to those expenditures.

Now, I will ask you to take this little book. That book represents a synopsis; it represents the conclusion reached on all that data. In page one you find a discussion of the situation—

> Effective with the month of January 1931, the budgets have been prepared in a manner to more clearly outline the results of the different departments and regions comprising the Canadian National Railways.

It outlines the different departments in the regions comprising the railway system, and it gives the expenses of the whole system right through.

Mr. HANSON: It is a consolidation of the other?

Sir HENRY THORNTON: This little book represents a consolidation of the larger one. Then, at page two, you find the budget set forth for the month of March. Now, that was the budget which was finally authorized, which the regions were authorized to follow after the discussion between the vice-presidents and myself, at which we determined what the expenditure should be as nearly as we could arrive at it. You will see the first item is the budget for 1931, and the actual for 1930.

Mr. HANSON: Of that month?

Sir HENRY THORNTON: Of that month. In other words, we estimated that for the month of March our gross revenue would be $13,606,110 as compared with $17,162,982 for the same month last year, and then we allocated the expenses, and you will see that the maintenance of way and structures, maintenance of equipment, traffic, transportation and so on, until you come to the total railway operating expenditure, which was budgeted at $13,265,380 as compared with $14,885,581 actual in March 1930. That is to say, it represents the amount of money which we authorized the regions to spend as far as those expenses were controllable; and you will be interested, if you will look on the last column of that sheet, to find the budget for the month of March 1931. That is divided between the Canadian National Express, and Canadian National Telegraph, hotels and separately operated properties, and finally we get to the last two columns in the sheet which give us the summation of the whole system.

Mr. HANSON: It is across over here.

Sir HENRY THORNTON: The last sheet. That is, for the system, the last two columns are the system, made up of these different items which precede it. Then, you turn over to the next page.

Mr. HANSON: It is very comprehensive, I should say. The total is $13,606,110.

Sir HENRY THORNTON: The principal thing I want you to turn to is page 11, at the bottom of the page. If you look at page 11 you will see how closely it is worked out. If you look at the last two columns you will see the general heading is "Total-system", and under that heading you have two columns, one called "budget" and the other called "actual." Now, the first column represents the estimate which was made of gross earnings and expenditures, and the second column headed "actual" indicates what did actually happen. From that you will see in that month the gross revenue for the system was estimated at $14,393,767, and the actual result was $14,424,219. In other words, we estimated our gross revenue within $25,000 of what actually happened.

Then, when you come to the expenses, you will see that we authorized $2,223,451 for maintenance of way and structures: the actual expenditure for maintenance of way and structure was $2,217,152. In other words, in the latter part of February of this year we fixed and authorized the regions to expend a total of $2,223,000, speaking in round figures, for maintenance of way and structures and they actually spent $2,217,000. That is how close a control we have on our expenses. You come to maintenance of equipment. For the maintenance of equipment we authorized $3,344,947, and $3,363,668 were spent, again a very close figure.

Hon. Mr. EULER: Are they held absolutely within your estimate?

Sir HENRY THORNTON: The regions are held absolutely to these figures.

Hon. Mr. EULER: In this case there is a little more spent than was authorized.

Sir HENRY THORNTON: I mean to say this; this amount is given to them, they are authorized to spend that much, and they may overreach a few thousand in one item and under reach in some other item.

Mr. HANSON: Due to their commitments?

Sir HENRY THORNTON: Due to exigencies that cannot be entirely foreseen. Take transportation expenses, we estimated and authorized $7,106,000, and the actual transportation expense was $6,940,000, if you take the last figure, the total expenses. I shall not go over every similar item, but take the last figure, the total expenses authorized and estimated were $14,032,000, and the actual expenses were $13,768,000. Now that tells the whole story of control of expenses, and I am going to make a statement that there is no railway on the North American continent that has so complete and thoroughly organized a control of expenses as the Canadian National Railways. These expenses begin as an estimate by the regions, they come to headquarters and are examined and adjusted and approved or disapproved or altered, and they finally go to the region in the form in which they appear the first of the month, as the authorized expenditure, and the results I have just read indicate the degree of accuracy to which the regions themselves adhere to those estimated and authorized expenditures.

Mr. Heaps: There is a reduction of approximately $2,000,000.

Sir Henry Thornton: There is exactly what it shows there. What are you speaking of, Mr. Heaps?

Mr. Heaps: The total here for the actual is $13,768,000 for the month, and I think for the same month last year—

Sir Henry Thornton: This comparison I have given you is what merely happened. It is not a comparison with last year, but comparing the authorized budget with what actually did happen for that month.

Mr. Heaps: The actual for last year was $15,718,000.

Sir Henry Thornton: The point I desire to make clearly is, that these figures are just given you, and an examination of that whole book reveals the control of expenses, and as I say, as a railway officer and having had some experience of railway business, that does not exist anywhere that I know of.

Hon. Mr. Euler: Showing that you are not going on in a haphazard way.

Sir Henry Thornton: I am showing this to support the general statement which I made to Mr. Hanson, that this matter is carried on—

Sir Eugene Fiset: After these estimates are passed by the regions and are submitted to headquarters and finally passed, are they submitted to the board of directors before being finally approved?

Sir Henry Thornton: This is in the hands of the executive officers and myself. Of course, I give the board an idea of what is going to happen for the next month, but the details of those are left in the hands of the officers and myself.

Mr. Hanson: I do not see how any board could deal with it, they could not possibly deal with it. If you ever sat on a board you would know they would not attempt to deal with it.

Sir Henry Thornton: No. Some of the railways in the United States have sent their officers to Montreal to find out how we are handling this matter, and I offer this whole book with all of the data and figures and machinery to show exactly how we handle our expenses, and as definite evidence to this committee that the matter is not being handled in a haphazard way nor in an extravagant way, and I will go further and say that it represents the most scientific and complete control of expenses of any railway system on the North American continent, and you can look through it and decide for yourself,—

Mr. Hanson: Now, following this up, you have given this as a consolidation—

Sir Henry Thornton: This gives every month, you understand, every month this is done.

Mr. Hanson: How is it working out with the results from revenue?

Sir Henry Thornton: Why in the first place—

Mr. Hanson: Are you keeping within the mark?

Sir Henry Thornton: Oh entirely. There is the answer, take that one month, and this month is not exceptional, we estimated our gross revenue within some $30,000 of what it actually was. We fixed our expenses about $300,000 less than they actually were. That is the answer. We have control. We not only achieve our objective, but we bettered it by about $300,000. That happens month after month.

Hon. Dr. Manion: May I put in a word to make the picture complete? You cannot control in any way the interest on your capital debt.

Sir Henry Thornton: No.

Hon. Dr. Manion: What I mean to say is this, the deficit in earnings which go towards paying the national or public debt is certainly not going to be less unless there is a very miraculous change, I think the public should know that.

Sir HENRY THORNTON: Why certainly. What I am trying to make clear is this: I have nothing to say about the national debt, or anything of that sort, but I am just trying to make clear to the members of this committee that we are sincerely and earnestly trying to increase our earnings. By the degree by which we increase our net earnings do we more nearly reach paying our fixed charges.

Hon. Dr. MANION: I do not question that at all. I am trying to point out to the members of the committee and members of parliament, and I think they should know this, that due to the decreased earnings of the Canadian National Railways, which are going down at the rate of about five millions a month, the Canadian National will be unable to pay the interest to the public, and there is going to be a greater inability this year than in the past, by some marked extent. I think the members of parliament should know that.

Sir HENRY THORNTON: That is perfectly true.

Hon. Dr. MANION: I think the whole picture is not complete without that part of it being known.

Sir HENRY THORNTON: That is perfectly true. When you come down to the last item on this sheet you will see that our deficit in March before interest on Dominion government advances was $4,014,554 as compared with $2,392,494 shown in statement No. 1 for March of the year before. But unless some organized and effective effort is made to control expenses, then that deficit to which Dr. Manion has referred would be greater. Our only effort is to reduce that deficit, and reduce it to the lowest possible figure, and this represents the implement which we are employing to accomplish that purpose.

Mr. HEAPS: May I ask this question, if I am not asking you something that is beyond you to answer at the present time; in view of the statement you have just made about the month of March, 1931, could you give us a comparison of the year 1930, taking the same basis as you have taken this month—you say the deficit last year was $29,000,000?

Sir HENRY THORNTON: About $29,000,000.

Mr. HEAPS: How would that work out, approximately, if you can give me the figures for the year 1931?

Sir HENRY THORNTON: Mr. Heaps, of course everybody will understand that trying to make an estimate of what is going to happen in these days is an almost impossible thing to do. We can estimate from month to month with a great degree of accuracy, but I cannot tell you to-day with any degree of accuracy what our gross revenues are going to be say in September or October, but I can tell you pretty closely what they are going to be next month.

Mr. HANSON: What Sir Henry is doing, as I understand it, is giving this as an exhibit of what they are trying to do to meet the situation, and I think we ought to accept it in that spirit.

Hon. Dr. MANION: So I will not be misunderstood, and the members of parliament should have a complete picture, I am not questioning anything that Sir Henry said in the least, but I was just calling the attention of the members of parliament who have to guarantee money advanced to the railway, that unless something miraculous happens, the deficit, instead of being $29,000,000 will be very much more than $29,000,000. I do not know how much more, but it will be considerably more than $29,000,000 unless something almost miraculous happens.

Sir HENRY THORNTON: Without question.

Mr. Hanson: That is what caused the enquiry on my part; I was asking the management to show how they are going to meet the situation, and this is Sir Henry's answer.

Sir Henry Thornton: This is showing you, of course, the whole thing has to start with control of expenses.

Hon. Mr. Euler: I take it what you are trying to say here is that the actual expenses are within your budget, but the vital thing, in my mind, is whether that budgeting is done properly.

Hon. Dr. Manion: Might I interject a remark here. The very next part of the budget is deficit for interest, and they have allowed thirty million dollars for that.

Hon. Mr. Euler: That is uncontrollable. The other part of the budget is in regard to the various services.

Sir Henry Thornton: We start with an estimate of the gross revenue, then the maintenance of way, maintenance of equipment, transportation expenses, all the departments are examined—

Mr. Hanson: These are all controllable.

Sir Henry Thornton: Transportation is not entirely controllable. We have from our professional knowledge and experience to decide how much we should spend, the minimum amount of money it is safe to spend on this property to maintain safety of service.

Hon. Mr. Euler: That is a vital part.

Sir Henry Thornton: That is what we have to decide. The regions, to begin with, make recommendations. Mr. Hungerford and various vice presidents and myself check them and we might say, "well, it is high." We think we could get on with less money than that another year or another month. We might say, " Well, the track on a certain region is getting a little bad," perhaps not bad in respect to getting out of hand. We think it would be unwise to reduce expenses to that amount. In other words, we put these regional estimates through the sieve of our own intelligence, to call it such, and then we finally decide what the region is to spend and that is what the region does spend and all it gets to spend. As I said before, the object of all of this is to indicate to you the steps that are taken to control expenses and how closely that object is achieved.

Hon. Mr. Euler: When you and your officers, Mr. Hungerford and others, review that amount, you are making your decision as to whether the amount submitted to you by your regional officers is correct or not. While this is going on, what have you in mind particularly, primarily the proper efficiency of the road or have you an eye particularly to the revenues you are making?

Sir Henry Thornton: In fact, you have to keep an eye on everything; you have to take into consideration every element. Low revenues naturally indicate poverty of traffic; poverty of traffic indicates you do not have to spend so much money on maintenance because the railway is not being subjected to the same use. You have to decide whether a certain rail will carry for another year or another month or not. There are hnudreds of technical questions that enter into the determination of this budget.

Hon. Mr. Euler: Do you ever sacrifice, in any case, the possible efficiency of the service of the road?

Sir Henry Thornton: No.

Hon. Mr. Euler: When the revenues are low.

Sir Henry Thornton: No. There are two things you must protect primarily. In the first place, you must maintain safety of traffic. That is the first consideration, and the second is you must maintain that degree of efficiency which will enable you to retain the traffic you have.

Hon. Mr. EULER: You cannot reduce it beyond a certain minimum.

Sir HENRY THORNTON: You get to a certain point, and you cannot go below that.

Hon. Mr. EULER: Because traffic has gone down?

Sir HENRY THORNTON: By carefully weighing of the demands of traffic as between one line and another, you can come to an intelligent standard of maintenance. You can decide that a certain line, having regard for its traffic, ought to be maintained at a certain standard, and some other line which has a less important traffic should not be so maintained; and that is where the judgment and the intelligence of the railway officer come into play. That is the reason we have vice presidents and officers.

Mr. MACMILLAN: How far ahead of the first of each month—

Sir HENRY THORNTON: What is that?

Mr. MACMILLAN: How far ahead of the first of each month do you get that?

Sir HENRY THORNTON: These are dated the 15th of the month. The budgets are all approved about the 27th of each month, and the region is advised by telegraph or possibly by mail, if close enough, as to what their budget is to be the following month, so that on the first of the month each general manager knows what his expenditures are going to be and what he can work on. In other words, this organization follows an orderly procedure instead of allowing the thing to take care of itself as a great many people in this country imagine. Some people imagine that a railway is some mysterious way runs itself, and there is not very much intelligence being displayed in it. Well now, I am trying to offer you definite evidence that we have it controlled, and some of the officers who are here can tell you, just as I have told you, that there is no railway system—and I challenge anybody to meet that statement—of the magnitude of the Canadian National Railways, that has got such an effective control of its expenses as we have worked out here.

Hon. Mr. EULER: What I am trying to get at is this—it is very commendable of course that you estimate very close to your expenditures—, what are the guiding principles involved? Is the primary principle the maintenance of way; that you must have a certain standard, or is it affected by your knowledge that the revenues perhaps may not be up to a certain mark, and perhaps you may reduce more by reason of the fact you know the revenue is lower?

Sir HENRY THORNTON: All I can say Mr. Euler, is it is a combination of the two. You have to steer a line between revenue and standard of maintenance.

The CHAIRMAN: Gentlemen, as it is one o'clock, we shall adjourn now, and if it is the wish of the committee, we will appoint an hour to meet to-morrow afternoon to try to get over this work.

Sir HENRY THORNTON: May I just ask the members of the committee to give more than passing attention to these documents because they are really very interesting, and I think they will throw some new light on the whole situation.

Committee adjourned until Wednesday, June 17 at 11 o'clock.

SESSION 1931

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

WEDNESDAY, JUNE 17, 1931

WITNESSES:

Sir Henry W. Thornton, K.B.E., President of the Canadian National Railways.

Mr. R. C. Vaughan, Vice President, Purchasing and Stores Department, Canadian National Railways.

Mr. R. L. Burnap, Vice President, Traffic Department, Canadian National Railways.

Mr. S. W. Fairweather, Director, Bureau of Economics, Canadian National Railways.

Dr. W. J. Black, Director of Colonization, Canadian National Railways.

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1931

MINUTES OF PROCEEDINGS

WEDNESDAY, 17th June, 1931.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government met at 11 a.m.; Hon. Mr. Chaplin, the Chairman, presided.

Members present: Messrs. Bell (*St. Antoine*), Bothwell, Cantley, Chaplin, Fiset (Sir Eugene), Fraser (*Cariboo*), Geary, Gray, Hanbury, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, MacMillan (Saskatoon), Manion, Stewart (*Lethbridge*).

Sir Henry Thornton provided a supplementary answer to a question asked at a previous meeting respecting the balance struck between Canadian grain moving for export through American ports and American grain moving for export through Canadian ports.

Sir Henry Thornton made a further explanation of the control of expenses, as indicated in the Operating Budget, and commended to the consideration of the Committee the "Analysis of Operating Results," copies of which were distributed yesterday.

The Committee resumed consideration at page 7 of an "Analysis of 1930 Results of Operation as Compared with 1929."

The Committee adjourned until to-morrow, Thursday, 18th June, at 11 a.m.

JOHN T. DUN,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 231,

WEDNESDAY, June 17, 1931.

The Select Standing Committee on Railways and Shipping met at 11 o'clock a.m., Hon. J. D. Chaplin, Chairman, presiding.

The CHAIRMAN: Gentlemen, come to order please. The Minister will not be here for over half an hour or so. He does not wish us to delay till he comes. He wants us to get along with the business.

Sir HENRY THORNTON: Mr. Chairman, there was one question which Mr. Heaps asked and which I told him yesterday we would try to get in more complete form. The question is; what kind of balance is struck between Canadian grain that moves for export through American ports and American grain that moves for export through Canadian ports.

We have this by crop years, which I will hand in, from 1925 to 1931. I do not think it necessary to read the whole report; but I will briefly say this.

Mr. HEAPS: If you could just give us the balance one way or the other.

Sir HENRY THORNTON: That is just what I was going to do, Mr. Heaps, The percentage of Canadian grain through American ports runs from 56·2 per cent to 41·15 per cent. It varies between those two percentages. The percentage of American grain through Canadian ports runs from 18·58 per cent to 38·9 per cent.

Mr. HEAPS: Could not you give it to us in bushels, instead of percentages.

The CHAIRMAN: The whole report will be incorporated in the record.

Sir HENRY THORNTON: Perhaps I might just hand this to you, Mr. Heaps, and you will look it over.

Mr. FRASER: Sir Henry, is that 56 per cent of the total crop or 36 per cent of the total exported.

Sir HENRY THORNTON: 56 per cent of the total exported, not the total crop. I will hand this in to the official reporter.

—	Crop Years					
	1925-1926	1926-1927	1927-1928	1928-1929	1929-1930	1930-1931 *
Canadian grain moved through American ports..	175,017,236	166,721,976	159,848,826	184,734,634	71,469,140	87,403,000
Total Canadian grain exported..........	338,239,225	296,857,927	329,090,720	403,047,232	152,923,478	213,345,000
Percentage through American ports to total.........	51·7	56·2	48·6	45·8	46·7	41·15
American grain moved through Canadian ports...	47,743,453	52,824,682	88,452,274	83,512,520	23,591,415	12,526,000
Total American grain exported..................	160,487,000	208,965,000	227,121,000	222,328,000	126,915,000	60,836,000
Percentage through Canadian ports to total........	29·7	25·27	38·94	37·56	18·58	20·6

*Part of crop year ending May 31, 1931.

Sir HENRY THORNTON: That answers the only question which I think is outstanding with respect to unfinished business.

I would just like briefly to finish up what I was speaking of when the meeting closed yesterday in regard to the budget, and the operation of the budget with respect to this control of expenses. I hope that members of the committee will be sufficiently interested to look that over, because I might talk for a day or so on the subject and still not cover all of the points in it; but an examination of that budget, I think, will reveal to you the kind of machinery that has been set up for expense control.

I would like to particularly call your attention to the fact that this budget is not prepared in any hit or miss fashion. The Regions form as careful an estimate as they can of the probable gross revenues of that region for the ensuing month, and then they not only take each one of the major subdivisions of expenses, such as maintenance of way and structures, maintenance of equipment, transportation, and so on, but they take each item under those general subdivisions, discuss and examine it and make their recommendation accordingly. Then, as I tried to explain to you yesterday that goes to headquarters in Montreal for final examination, analysis, and either approval or alteration. So that I think you will see from that it is not a hit or miss estimate; but it is a thoroughly scientific way, as far as anything of that sort can be scientific, of arriving at an intelligent allocation of expenses.

In that connection I think it will be of interest to the committee to say that commencing with the latter part of last year and more particularly this year, in conjunction with the Canadian Pacific Railway and in co-operation with that company, an examination was made of passenger train service in an effort to reduce passenger train mileage and competition which might be expensive and unreasonable. As a result of that the passenger train mileage has been reduced on the Canadian National Railways by the round figure of 3,000,000 passenger miles per annum. That is the rate of reduction.

Mr. CANTLEY: What percentage is that to the whole? What percentage of reduction does that entail.

Sir HENRY THORNTON: It represented 12 per cent of the whole. Now it is 14 per cent. Of course, that is going on month by month in conjunction with our Canadian Pacific friends.

Mr. HANSON: What proportion would be branch line service and what proportion main line service?

Mr. BURNAP: We have here a statement which shows all of the trains taken off and the terminals between which they run. I think Mr. Fairweather has it there and can turn it over.

Sir HENRY THORNTON: I think we could get at that figure but it would entail an examination of the report.

Mr. HANBURY: Have you any percentage showing separately the reductions on the Canadian National Railways and the Canadian Pacific Railway?

Sir HENRY THORNTON: We have not got that, Mr. Hanbury.

Mr. HANSON: With reference to this budget I have had an opportunity to go through it and I want to compliment you, Sir Henry. I think it is what you claim it to be, and I think the public would be very glad to know that there is something like this under way. I think that statement ought to be made in fairness to the management.

Sir HENRY THORNTON: The officers of the company and certainly myself appreciate what you have said. Of course, it is highly technical. A great deal of it is technical and a great deal of it is difficult to understand. And if it were not technical you would not have to have any officers; that is to say, the thing would run itself. But on behalf of the officers and myself I am very appreciative of what Mr. Hanson has said.

Now, I do not want to pursue that subject any further; but there is one other thing to which I would like to refer, and that is this pamphlet entitled "Analysis of Operating Results". That is a careful but at the same time technical analysis of the operations of the company for the preceding month in which it is issued. It covers all of the transportation activities of the company and you will find on the first page a definition of what the various terms and expressions mean that appear later on in the report; but I will content myself with the statement that that analysis of operating results was worked out by the Director of the Bureau of Statistics and the various Vice-Presidents of the company and myself some years ago, shortly after the present administration took hold, with a view of presenting to the operating and technical officers of the company the results of their efforts as expressed statistically for the month in question over the preceding month so that they could see how their efforts compared with other regions and with other districts, and the degree to which they attained their objective.

Again, without wishing in any sense to be complimentary to the Canadian National itself I can only say that that represents, as far as my knowledge goes, the most complete set of statistics which is furnished by any railway company. That goes to division superintendents, train masters and officers superior in rank, is studied by them and examined by them, and I know that often quite subordinate officers do studiously examine that work because frequently on my trips over the railway I talk to them about it and find that they are conversant with what their own division is doing, or their own district, or region, and they know what other regions and districts are doing, and that a very marked degree of admirable competition is excited by these reports on the part of the different districts of the railway to vie with each other and to make a favourable performance. You will find that train masters, and superintendents and officers of that sort examine that report with the same interest that the baseball fan would look at the baseball reports in the morning newspaper.

That, gentlemen, is all I have to say upon this particular subject, but again I hope that the members of the committee even though they do not quite understand thet technical aspects of this analysis of expenses will at least look it over, and I think it will give you some idea of the searching character of the examinations which are made of our operating results.

Is it your pleasure now, Mr. Chairman, that we should go on where we left off with the examination of the expenses in detail.

Mr. GEARY: Just before you pass from that analysis, under "General Performance," it was a bit of a surprise to me to find that the grain loadings have very materially increased and the commodity loadings have decreased. I was just going to ask what is the significance of your note which reads:—

> This shift in trend was caused by upturn in traffic over March on the Western and Grand Trunk Western Regions, but under present trade conditions has no importance.

Sir HENRY THORNTON: I am just trying to find that note.

Mr. GEARY: Is it just a casual increase.

Sir HENRY THORNTON: That is what it is so regarded. That is not only statistical information but it is a sort of running narrative of the events of the month under consideration, and that statement was made simply for the purpose of indicating that it was not indicative of any extraordinary or fundamental alteration in conditions.

Mr. GEARY: That is, you make the statement without prejudice.

Sir HENRY THORNTON: That is right. This is supposed to be, and is a perfectly unprejudiced statement of actual facts for the use of officers, and we put it at the disposal of this committee although the information is necessarily somewhat confidential; but at the same time I think it is sufficiently illuminating to justify its presentation to this committee.

Is there anything further, Col. Geary.

Mr. Geary: Not at the moment.

Mr. Fairweather: Continuing at page 6: During the year 1930 the operated road mileage of the Canadian National increased 392.6 miles, principally due to the completion of Branch Line construction authorized in prior years. This is in addition to the Central Vermont Railway mileage now included in the System mileage. A comparison of the mileage and equipment at the end of 1929 and 1930 follows:—

—	Dec. 31, 1929	Dec. 31, 1930		
	Canadian National Railways (Excl. C.V. Ry.)	Canadian National Railways (Excl. C.V. Ry.)	Central Vermont Ry.	Total
Operated road mileage	19,571·36	19,963·95	461·62	20,425·57
Miles of all tracks	27,004·22	27,428·66	678·85	28,107·51
Locomotives	3,096	3,127	53	3,180
Freight train cars	123,164	124,861	3,330	128,191
Passenger Train cars	3,765	3,797	53	3,850
Work Equipment	8,234	8,126	147	8,273

A technical analysis of the variations in wages, changes in the prices of materials, variations in traffic, increase in size of property and weather conditions shows that the expenses for 1930 were effectively controlled and compare quite favourably with those of the preceding year.

The total decrease in Railway Operating Expenses was $25,915,965 or 11.7 per cent, the monthly comparison being as follows:—

	Railway Operating Expenses		
	1930	1929	Decrease
	$	$	$
January	16,088,157	16,092,944	4,787
February	15,662,515	16,661,595	999,080
March	16,267,437	17,367,947	1,100.510
April	16,119,331	18,559,785	2,440.454
May	16,704,475	20,045,927	3,341.452
June	17,160,860	20,409,851	3,248.991
July	16,866,935	20,345,980	3,479,045
August	16,800,995	18,898,267	2,097,272
September	16,956,195	18,764,578	1,808.383
October	17,028,267	18,740,718	1,712,451
November	15,095,571	17,753,583	2,663,012
December	14,508,769	17,529,297	3,020.528
Total	195,259,507	221,175,472	25,915,965

A comparison of Railway Operating Expenses, 1930 with 1929, by General Accounts follows:—

General Account	1930	1929	Decrease	
			Amount	Per cent
	$	$	$	
Maintenance of Way and Structure	39,777,567	48,436,118	8,658,551	17·9

Mr. Geary: That is quite a substantial decrease.

Sir **Henry Thornton**: When times are prosperous an individual quite justifiably embarks upon certain expenses which in times that are less prosperous he would defer without damage to his house or property. Now, it is an exceedingly difficult thing in the determination of maintenance of way expenses to say exactly where deferred maintenance appears and where it disappears, and it is thus largely a matter of the examination of the frequency of traffic, the weight of traffic, and its importance. For instance, between Montreal and Toronto, in fact, between Montreal right through to Chicago, where there is our maximum density of traffic and weight and importance of traffic, a much higher standard of maintenance is necessary than on some part of the railway where those conditions do not exist.

Deferred maintenance is a very expensive thing to embark upon, because quite frequently a dollar saved in maintenance may reappear in two or three years with a very high rate of interest. That is to say, one may accumulate a condition of deferred maintenance which in subsequent years will involve a very heavy expenditure to catch up. One of the outstanding examples of that is perhaps the condition of the old Grand Trunk Railway system which was not maintained at a proper standard and which had accumulated a very definite volume of deferred maintenance which this administration had to catch up. Some of that was justifiable, some of it was undoubtedly due to the war and the conditions which existed after the war; but whatever the reason may be the fact remains that there had accumulated a very material volume of deferred maintenance on the Grand Trunk Railway system. For instance, two outstanding examples to which I have referred before, small things in a way but still indicative of the general situation, the two passenger stations at Hamilton and London. The London station is to-day, I think, about 80 years old. The Hamilton station was fully as old as that. That has been eliminated.

Mr. **Hanson**: What about Riviere du Loup?

Sir **Henry Thornton**: Riviere du Loup fortunately was not on the Grand Trunk, therefore, the reference is irrelevant.

Mr. **Hanson**: I have often had to get out at Riviere du Loup in the middle of the night. I have a great deal of sympathy for Mr. Pouliot.

Sir **Henry Thornton**: There are a great many stations on this railroad that we would like to renew. It certainly is not a matter of pride to the railway company to maintain an unsatisfactory station. We were confronted with a certain situation this year, and the Board and the officers of the company, in conjunction with the government represented by the Minister of Railways, simply had to cut our cloth to what there was to spend.

Sir **Eugene Fiset**: And there is also the unfortunate fact that it belongs to what we call no man's land, the eastern division.

Sir **Henry Thornton**: There is no such term as no man's land which is represented by the constituency from which you come, General; and perhaps the same thing might also be extended to Mr. Pouliot. But on the old Grand Trunk there was very little rock ballast. The rail was too light, and the railway, for various reasons, presented a condition of deferred maintenance which had to be caught up.

Again, if you go to the old Canadian Northern, there was a railway which had only just emerged from construction. Its improvement had been retarded by the war. Fills were too narrow to hold the ballast. Cuts were too narrow for drainage. Passenger sidings were infrequent and too short, and yards were insufficient. All of those things, as I have explained before, had to be taken in hand and involved not only expenditure of capital but also increased expenditure on account of maintenance and catching up this deferred maintenance to which you have just referred.

What we have tried to do on the railway to-day I venture to say has been done intelligently, and I am not responsible for it. If any intelligence has been displayed it has been displayed by the engineering department, the various divisional engineers and superintendents, and general superintendents right up to the chief engineer and the Vice-President in charge of that operation. They have displayed that intelligence which with prudent economy would save money without at the same time carrying a large outlay for the future for deferred maintenance. That is the only answer I can give you.

Mr. GEARY: Deferred maintenance does not increase by itself.

Sir HENRY THORNTON: Deferred maintenance unquestionably proceeds at compound interest, no question about that. But there are certain items, for instance, let us say you are going to take out 80-pound rail and renew it with 130-pound rail. There again you have got to apply technical knowledge. You may say that under the circumstances that rail will carry another year. Again, the situation may be such that it will not, but in each case, there has been an effort made to avoid the compounding of deferred maintenance. That is not only my opinion but it is the opinion of our own engineering officers who are skilled in their business.

Mr. CANTLEY: Referring to the first item, Maintenance of way and structures, may I ask if all the steel rails ordered and delivered in 1930 were put in the track?

Sir HENRY THORNTON: Mr. Hungerford can answer that question.

Mr. HUNGERFORD: I have not the figures available here.

Mr. CANTLEY: Can you give us any idea of the percentage.

Sir HENRY THORNTON: We can get you that, Colonel Cantley.

Mr. CANTLEY: What was the percentage of rails put in the track that were ordered and delivered in 1930?

Mr. HUNGERFORD: We will get the information for you.

Mr. FRASER: I see there is an increase in the Traffic Item there.

Sir HENRY THORNTON: If you will let that stand we will give you that a little later on in this report and I think perhaps that will be made clear at that time.

Mr. FAIRWEATHER: Continuing on page 7:—

	$	$	$	
Maintenance of Equipment	43,091,330	49,527,852	6,436,522	13·0
Traffic	7,712,966	7,552,656	160,310 (Inc.)	2·1 (Inc.)
Transportation	96,105,934	108,034,012	11,928,078	11·0
Miscellaneous	2,235,525	2,403,141	167,616	7·0
General	7,696,385	7,184,738	511,647 (Inc.)	7·1 (Inc.)
Transportation for Investment—Credit	1,360,199	1,963,044	602,845	30·7
Total Oper. Expenses	195,259,507	221,175,472	25,915,965	11·7

A further division between labour and materials, etc., by General Accounts, follows:—

Employees' Compensation	1930	1929	Decrease
	$	$	$
Maintenance of Way and Structures	23,520,724	26,975,797	3,455,073
Maintenance of Equipment	23,758,242	26,215,852	2,457,610
Traffic	3,498,346	3,564,743	66,397
Transportation	65,184,210	72,362,255	7,178,045
Miscellaneous	1,056,752	1,125,153	68,401
General	4,748,067	4,621,657	126,410 (Inc.)
Total	121,766,341	134,865,457	13,099,116

Materials and Miscellaneous	1930	1929	Decrease
	$	$	$
Maintenance of Way and Structures	16,256,843	21,460,321	5,203,478
Maintenance of Equipment	19,333,088	23,312,000	3,978,912
Traffic	4,214,620	3,987,913	226,707 (Inc.)
Transportation	30,921,723	35,671,756	4,750,033
Miscellaneous	1,178,773	1,277 988	99,215
General	2,948,318	2,563,081	385,237 (Inc.)
Transportation for Investment—Credit	1,360,199	1,963,044	602,845
Total	73,493,166	86,310,015	12,816,849

The decrease in Payroll Expense, amounting to $13,099,116, resulted from decreased employment—$15,270,648, partially offset by increases in rate per man hour amounting to $2,171,532. There were no wage increases of any account in 1930. Increases granted during 1929 are reflected to some extent in 1930 figures. The harmonious relations existing between the Company and employees continued through the year.

Mr. Geary: May I ask a question there on maintenance of way and structures. You have a total decrease of $8,000,000. On labour you have a decrease of $3,000,000 and on materials $5,000,000. Does that represent the normal proportion between material and labour, or is it less in material by reason of your having more material on hand.

Sir Henry Thornton: I think that probably is about the average. Of course, one thing in maintenance of way expense which is beginning to make itself felt is the introduction of creosoted ties. For the last eight years we have been increasing year by year the number of creosoted ties that have been put into the track. Now we have got to the point where the earning value of those creosoted ties is beginning to make itself felt and find an expression in fewer ties bought per annum. As a matter of fact, our tie purchases have fallen off very heavily due particularly to the introduction of creosoted ties, and particularly to a much closer inspection of the ties that are to be taken out of the track.

Mr. Geary: In that item of creosoted ties would the introduction of that tie distribute the balance between the cost of material and the cost of labour.

Sir Henry Thornton: Undoubtedly.

Mr. Hanson: Sir Henry, this tie question is one that gives the ordinary member of parliament, in the east at all events, a great amount of trouble.

Sir Henry Thornton: You are not alone in that.

Mr. Hanson: The charge is made, Sir Henry, that previous to the election —I am going to be very specific—you loaded up with ties in Eastern Canada, and when we tried to get some work to relieve the unemployment situation in New Brunswick in the fall of 1930 we were met with the situation that you had on hand from purchases from the preceding year more than double your requirements. I think I am safe in putting it in that way. What have you got to say about that.

Sir Henry Thornton: I am not quite sure that I know just what the question is.

Mr. Hanson: That you overbought in 1929-30.

Sir Henry Thornton: Well, that may be the thought, that it was done for political purposes.

Mr. Hanson: I will be very frank and say I mean that.

Sir Henry Thornton: There is nothing like being perfectly frank.

Mr. Hanson: What did you have on hand at the beginning of the season of 1930?

Hon. Mr. Manion: My recollection is that the figure you gave me, Sir Henry, was something like 10,000,000 or 12,000,000 ties.

Sir **Henry Thornton**: Yes. The whole point is this: That we were building up and had been building up for some years to accumulate 100 per cent of our ties on hand. That is more or less the practice which is followed by railways. Personally, in the light of the present situation I think it is too much, and in times of depression and where you are endeavouring to economize you perhaps do things that you would not have done if times were more prosperous; but broadly speaking, we were trying to build up our tie situation so that we would be sure each year when the season commenced that we had a sufficient number of ties to carry on that work continuously throughout the year. I will ask Mr. Vaughan to speak on the subject, but certainly I am not aware of any attempt on the part of this railway company to unduly increase its tie purchases in the face of an election for the purpose of producing a possible political result for one party or the other.

Mr. **Hanson**: I do not say that you did it for the purpose of that at all, but the charge is made and you have heard it as well as I have.

Sir **Henry Thornton**: You hear all kinds of charges.

Mr. **Hanson**: That the supply of ties on hand was abnormal, and had been abnormally increased in the preceding twelve months, and we found ourselves in the position of where we could hardly get the railway to buy anything and then only at a depressed price.

Sir **Henry Thornton**: Mr. Vaughan is here. He is our Vice President in charge of purchases, and I would like him to speak on that.

Mr. **Vaughan**: We were in the same position as every other railway. We were endeavouring to build up this carry-over 100 per cent, which is practically the carry-over that most railroads have in the United States, on the theory that if we could get all our ties in by the 1st of June we would save money when labour was plentiful and it did not interfere with the heavy movement of traffic. We brought that carry-over up to 100 per cent in 1929. There was never a contract placed for political purposes. The whole idea was to bring that carry-over up to 100 per cent so that we would always have ties on hand in the spring sufficient to go on with our work. Personally, I cannot tell the politics of any tie contractor we do business with. I can say conscientiously there was never a tie contract given to a man down there because of his politics. To-day we have nearly 2,000 tie contracts on the system, and I can tell the politics of only one or two men in the whole 2,000.

Mr. **Hanson**: You deny the charge.

Mr. **Vaughan**: Absolutely.

Mr. **Fraser**: May I ask this general question in regard to the tie situation: How is the price of ties fixed?

Sir **Henry Thornton**: Will you answer that, Mr. Vaughan.

Mr. **Vaughan**: As a matter of fact, we advertise for tenders on ties.

Mr. **Hanson**: You go through the form.

Mr. **Vaughan**: We go through the form, that is quite so. The prices are usually ridiculously high and we never pay them. The result is it gets down to the point that we fix what we think is a reasonable price for ties on each region and the contractors are usually glad to get the contract on that basis. We buy ties on the different regions. We know all the tie contractors on the line, where their timber is located and their ability to deliver ties, and so on. And we take a great many ties direct from the settlers. We have this year 1,600 or 1,700 contracts direct with the settlers.

Mr. **Geary**: In the result you are buying in the open market.

Mr. **Vaughan**: Yes.

Mr. **Fraser**: I understand then that the tie contractor has nothing to do with the price at all. The tender that he gives you has nothing to do with the price. You really fix that price and say you can have that contract or do without it.

Mr. **Vaughan**: Well, except this, Mr. Fraser, in getting all these tenders in, if we find a man who is responsible and who has given us a very low tender we may take his price and fix that as the price on the region for everyone.

Mr. **Hanson**: That would be a factor.

Mr. **Vaughan**: Yes.

Mr. **Fraser**: So that the tender after all is a factor in the fixing of the price.

Mr. **Vaughan**: Yes.

Mr. **McGibbon**: What parts of the country do you get your ties from mostly.

Mr. **Vaughan**: They are secured all over the country from coast to coast depending on our requirements. We buy our requirements for the Atlantic region in the Atlantic region.

Hon. Mr. **Manion**: Is it not right that about 25 per cent of your tie contracts are given to settlers in small lots.

Mr. **Vaughan**: Yes, fully that.

Mr. **Hanson**: And you have extended that each year.

Mr. **Vaughan**: We have extended it, yes. We do not refuse to take ties from settlers. Our position is, of course, that unfortunately a good many of the settlers want to get into the contract class.

Sir **Henry Thornton**: In 1930 the total number of ties purchased was 7,900,000, 2,500,000 of which we purchased from settlers.

Hon. Mr. **Manion**: Do you not mean 1929-30.

Sir **Henry Thornton**: Ties delivered in 1930.

Hon. Mr. **Manion**: This past year you only bought a little over 3,000,000.

Sir **Henry Thornton**: Yes, I would say perhaps a third of those would come from settlers. The purchases from settlers have increased each year.

Mr. **Hanson**: How many did you purchase in 1929 for delivery in 1930 compared with the two preceding years.

Mr. **Vaughan**: I think it was possibly a little greater.

Mr. **Hanson**: Without delaying the committee, we might have the information showing exactly what your purchases have been.

Mr. **Vaughan**: Yes, I have got the information here.

The **Chairman**: We can take that up in the form of a question for to-morrow.

Sir **Henry Thornton**: We will make a note of that.

Mr. **Cantley**: Mr. Vaughan, there is another criticism to this effect that you buy ties from so-called dealers that do not produce a tie at all. You have for years, and they in turn sublet those contracts making a profit out of them to the detriment of the small man who actually supplies the ties.

Mr. **Vaughan**: I think that would happen in a very rare case. There are a great many men who are not financially able to take out a contract and they will go to a contractor and he may finance them and assist them in getting those ties out.

Mr. **Cantley**: My criticism is this, at least the criticism reported to me is this; the small operator who owns a small mill tenders for ties. He does not get it but the dealer gets it, and then the dealer says to the small contractor you can have a contract for two, three or four thousand ties at ten cents less.

Mr. VAUGHAN: I do not know any case of that kind, Col. Cantley. If there are any I would like to know of them. There may be the odd case.

Mr. CANTLEY: I think I can give you a few cases.

Hon. Mr. MANION: Last year you called for 3,000,000 ties and you had tenders for something like 60,000,000, is that correct.

Mr. VAUGHAN: We called for tenders in the fall of 1930 for 3,000,000 ties and, as you say, we received tenders for 60,000,000.

Hon. Mr. MANION: I know, because I got letters of abuse from all parts of the country.

Sir HENRY THORNTON: As far as the political situation is concerned, it is awfully hard to keep up with the politics of the average tie contractors.

Mr. HANSON: I would like to make one exception and that is the President of our association. He has been a life-long tory.

Sir HENRY THORNTON: I know, but you have to keep up awfully fast with some of those fellows.

The CHAIRMAN: Is that all the questions that are required on the tie situation.

Mr. STEWART (Lethbridge): I would like you to leave that open. I may have something to say on that later.

The CHAIRMAN: It will be taken up again to-morrow.

Mr. STEWART (Lethbridge): I do not think I will have my information till later on.

The CHAIRMAN: You are perfectly free to bring your question up at any time.

Mr. FAIRWEATHER: Resuming on page 8, at the top of the page:

The decrease in Materials and Miscellaneous Account, amounting to $12,316,849, is made up as follows:—

Decrease due to Price Changes	$2,823,075
Decrease due to less material used	9,993,774
Total Decrease	$12,816,849

By classes of materials, the decreases were as follows:—

—	Decrease due to Price Changes	Decrease due to Quantity Used	Net Decrease
	$	$	$
Ties	33,040	1,558,796	1,591,836
Rails	22,071	703,727	725,798
Coal	310,416	3,149,268	3,459,684
Miscellaneous Material	2,457,548	4,581,983	7,039,531
Total	2,823,075	9,993,774	12,816,849

Mr. HANSON: It is very gratifying to notice that you are beginning to get the benefit of the decrease in the price of commodities.

Mr. FRASER: What was the decrease in the price of ties?

Mr. VAUGHAN: Ten to fifteen cents, but that would not come in here. The prices were ten to fifteen cents higher in 1929 than they were in 1930.

Sir HENRY THORNTON: That figure Mr. Vaughan is giving you is just an average.

Mr. FRASER: We can get the definite figures later on.

Sir HENRY THORNTON: We can furnish I think within reason what the spread will be on almost anything you want to ask.

Mr. FRASER: What I want to know is this, what was the comparative price in British Columbia for ties this year compared with last year?

Mr. Hanson: And the same with New Brunswick.

Mr. Kennedy: What was the decrease in the price of coal?

Sir Henry Thornton: Mr. Vaughan, the question is asked what was the average in the alteration in the price of coal.

Mr. Vaughan: Well, there was little decrease in the price of coal in Canada. The large decrease in the price of coal was in the United States. For example, there has not been a decrease in the price of coal in the Maritime Provinces for years, and there has been little decrease in the price of coal in the Western Provinces for the last few years. There has been some decrease in the United States. The cost of producing coal in our mines has been going down right along.

Mr. Kennedy: Could we get the figures on that?

Mr. Vaughan: You mean the average price paid in the various regions?

Mr. Kennedy: Yes.

Mr. Vaughan: You are referring only to Canadian coal or do you want American coal too?

Mr. Kennedy: Yes.

Mr. Vaughan: Well that American coal I presume would be at the mine.

Mr. Kennedy: There is one question I would like to ask regarding coal. I find amongst the miners in the West criticism that the railway orders come in in big bunches, that the mines would be idle for a long time and then there would be an order come in for a big bunch of coal and they are anxious that something should be done to stabilize the volume of employment during the year. I was wondering just what could be done in that respect.

Mr. Vaughan: We are doing everything we can in that respect. We try to give them continuous operation and we do give them as continuous operation as we can depending, of course, upon our requirements. We do not want to be taking coal that we do not need but we aim to give them as much continuous employment as we can consistent, of course, with our own requirements, and economy.

Mr. Fairweather:—

An examination of the Railway Operating Expenses, by General Accounts, shows that Maintenance of Way and Structures Expenses in the two years compared as follows:—

1930	$ 39,777,567
1929	48,436,118
Decrease	$ 8,658,551 or 17·9%

During the year, 457 miles of new 100 lb. rail and 153 miles of new 85 lb. rail were laid; 380 miles were re-laid with 80 to 100 lb. released rail. A total of 1,300,784 treated ties were placed in track, as compared with 1,612,228 in 1929.

The decrease of $8,658,551 in Maintenance of Way and Structures Expenses is made up as follows:—

—	Decreasd		Net
	Due to Change in rate per Man Hour or Price of Material	Due to Decrease in Quantity	
	$	$	$
Labour	1,190,838 (Inc.)	4,645,911	3,455,073
Materials and miscellaneous	305,598	4,897,800	5,203,478
Total	885,240 (Inc.)	9,543,791	8,658,551

A summary of the decreases, by Classes of Material, follows:—

Mr. Hanson: I would like a little explanation of why there was an increase in the labour and a net increase in the total.

Mr. Fairweather: There was an actual decrease in the quantity of labour.

Mr. Hanson: Yes, I get that.

Mr. Fairweather: And there was an increase in the average rate of compensation. That reflects an increase which had been made in 1929, that I think answers your question.

Mr. McGibbon: I notice in looking over your report that you spent, speaking from memory, $1,000,000 odd on ballast. I notice also the Canadian Pacific spent about $6,000,000. Is the road bed of the National Railways that much superior to the C.P.R.

Sir Henry Thornton: That involves an examination again, as I said a moment ago, of the speed, weight and volume of the track. Now, generally speaking, it has been, I think, revealed by the statistics that, taking the C.P.R. as a whole their density of traffic is materially greater than that of the Canadian National. I do not quite know what you want to get at, Doctor, but that is the only answer I can give you at the moment. I am anxious to answer your question but I am not so sure that I understand it.

Mr. McGibbon: It would look to me to be a very essential part of railroading to keep your track in proper shape. Your figures on wreckage and so on, seemed to be enormous compared with the other road, and yet there does not seem to be relatively like the same amount of money being spent to keep the roadbed in efficient condition.

Sir Henry Thornton: Well, without wishing to go into the detail of Canadian Pacific expenditures and offer any comment thereon my recollection last year is that the C.P.R. reduced to a greater percentage their total maintenance of way expenses in a comparative way than did the Canadian National.

Mr. Fairweather: Oh, yes, very much more.

Mr. McGibbon: I think the figures are about $6,000,000 that the C.P.R. was spending and the National Railways something over one. In looking over the amount of money that you paid for claims for damages and for wreckage you are paying much more, a great deal more.

Mr. Fairweather: Mr. McGibbon, are you referring to the year 1930?

Mr. McGibbon: Well I am referring to the last report.

Mr. Fairweather: No, but in the C.P.R. You speak of the C.P.R. Are you referring to 1930?

Mr. McGibbon: The last report we have got.

Mr. Fairweather: Well, is that 1930, sir?

Mr. McGibbon: I presume so.

Mr. Fairweather: I cannot believe that it is, because I do not know that their primary accounts have been published for 1930 yet.

Mr. McGibbon: I am speaking of the last report we have got. This might not just be the proper place to ask the question, but might I ask what is the cause of so many large claims for damages and property damage and wreckage on the National Railways.

The Chairman: Just let that go as a question and we can get along with something else.

Sir Henry Thornton: Perhaps this might be the easiest way to dispose of that: If our secretary will make a note of the whole question then by tomorrow's meeting we will probably be able to get some statistics which will illuminate the situation.

Mr. McGibbon: That is quite satisfactory.

Mr. Fairweather:

—	Decrease		Net
	Due to Change in Price of Material	Due to Decrease in Quantity	
	$	$	$
Ties	33,040	1,558,796	1,591,836
Rails	22,071	703,727	725,798
Other miscellaneous material	250,487	2,635,357	2,885,844
Total	305,598	4,897,880	5,203,478

Principal Increases and Decreases in Maintenance of Way and Structures Accounts were as follows:—

Principal Increases:	Maintaining joint tracks, yards, etc. Dr.	$ 189,271
Principal Decreases:	Bridges, trestles and culverts	486,386
	Ties	1,591,836
	Rails	725,798
	Other track material	573,194
	Ballast	703,006
	Tracklaying and surfacing	2,290,498
	Station and office buildings	424,453
	Shops and enginehouses	348,323
	Removing snow, ice and sand	270,922

Comparative expenditures for Maintenance of Equipment in 1930 and 1929 were as follows:—

1930	$ 43,091,330
1929	49,527,852
Decrease	$ 6,436,522 or 13·0%

The decrease in expenses is divided between labour and materials, etc., as follows:—

—	Decrease		Net
	Due to Change in rate per Man Hour or Price of Material	Due to Decrease in Quantity	
	$	$	$
Labour	610,945 (Inc.)	3,068,555	2,457,610
Materials and miscellaneous	1,038,974	2,939,938	3,978,912
Total	428,029	6,008,493	6,436,522

The condition of equipment at the end of 1930, as compared with 1929, was as follows:

—	Percentage Serviceable	
	1930	1929
	%	%
Locomotives	78·2	80·1
Freight cars	92·2	93·0

These figures compare favourably with Class I United States roads, as indicated by the following:

—	Percentage Serviceable	
	1930	1929
	%	%
Locomotives	81·3	83·8
Freight Cars	93·3	94·6

Principal Increases and Decreases, by Primary Accounts, were as follows:

Principal Increases	Express	$ 56,625
Principal Decreases	Shop Machinery	133,354
	Steam Locomotive Repairs	1,998,143
	Freight Train Car Repairs	2,025,494
	Freight Train Car Retirements	360,463
	Passenger Train Car Retirements	772,753
	Work Equibment	500,592
	Insurance	294,568

The comparative Traffic Expenses in 1930, as compared with 1929, were:

1930	$ 7,712,968
1929	7,552,656
Increase	$ 160,310 or 2·1%

The 1929 accounts included a non-recurring credit of $171,500 for the Detroit and Toledo Shore Line.

There was a decrease in Radio of $21,419 and in Colonization of $42,094. Rentals increased $138,135. There was a general decrease in Wages, Commissions and Supplies of $85,000.

The expenses of conducting transportation in 1930 and 1929 were as follows:

1930	$ 96,105,934
1929	108,034,012
Decrease	$ 11,928,078 or 11·0%

This decrease of 11.0 per cent compares favourably with a decrease of 11.3 per cent for all Class I United States roads.

Mr. GEARY: How long ago did you install radio, Sir Henry.

Sir HENRY THORNTON: I am speaking now from memory. I think our first radio installation took place in 1923 or 1924, probably in 1923.

Mr. GEARY: Have you increased that.

Sir HENRY THORNTON: Yes, we have increased the radio activities. That came up in this fashion: Early in 1923 it semed pretty obvious to the traffic and operating officers of the company and myself that the employment of radio represented a very interesting and important field largely, in fact almost entirely, for the purpose of advertising, and the Canadian National Railways was the first railway in the world I think to realize the importance of radio broadcasting, to install it upon its trains and to use it as an implement of advertising; so we commenced in 1923 installing radio on our trains, and that has progressively advanced. Naturally to-day, under the conditions that confront us and the necessity for economizing, that has not been pursued as progressively as it was in previous years; but briefly that represents the reasons for which we got into the radio broadcasting field and the use we attempted to make of it. Incidentally, since that time more than one railway on the North American continent has pursued the same policy.

Mr. HANSON: What other railroads have established it.

Sir HENRY THORNTON: The C.P.R. I think, three years ago.

Mr. HANSON: I mean on their trains. We are speaking of installing it on their trains.

Sir HENRY THORNTON: I think the Great Western railroad in England, but I may be wrong about that and I do not know to what extent they are using it.

Mr. HANSON: Any other big lines in America that have installed radio on their trains. The C.P.R. use it for advertising purposes, of course.

Sir HENRY THORNTON: I do not know that I can say offhand whether any railway in the United States has installed it on their trains at all.

Mr. Hanson: None of the big lines in eastern United States have.

Sir Henry Thornton: I think that is probably true.

Mr. Geary: Have the C.P.R. radio on its trains.

Sir Henry Thornton: No.

Mr. Gray: As a matter of fact, instead of presently increasing you are taking off.

Sir Henry Thornton: We are taking off. We are marking time with respect to the whole thing.

Mr. Geary: You first began by installing radio and picking up from stations along the line, and then you went into the other branch of radio; you started as a pure matter of advertising.

Sir Henry Thornton: That is quite right.

Mr. Geary: When did you start your broadcasting stations? What was the expense of that?

Sir Henry Thornton: This whole exploration into the field of radio was to a large extent experimental. It looked to us that the principle was a sound one and we had to feel our way, try out various things, and the situation to-day represents the result of several years of trial and experiment. I am just speaking from memory again. I think it was probably about three or four years ago that we went into broadcasting concerts and things of that kind ourselves.

Mr. Geary: You have a station.

Sir Henry Thornton: We have a station in Ottawa which we erected and use for broadcasting purposes. We have another at Moncton. We have a third on Vancouver Island, and other stations that we employ which are usually owned by newspapers.

Mr. Heaps: What has been the value of the radio broadcasting to the Canadian National system.

Sir Henry Thornton: That is a very difficult thing, Mr. Heaps, to say just in dollars and cents.

Mr. Heaps: In a general way, Sir Henry.

Sir Henry Thornton: I should say that, generally speaking, the advantage of it from a propaganda and advertising view has justified the expense, particularly in the prosperous times which we passed through until recently.

You have got to remember, if I may say so, in connection with the Canadian National system and the whole advertising situation, that up until the last few years, or up until eight years or so ago the Canadian National system was relatively unknown. To a considerable extent it still is. We frequently have cases of people, travellers and shippers in the United States, who confuse the Canadian Pacific with the Canadian National. They just know that there is some kind of a Canadian railroad in Canada and they are not altogether sure whether it is Canadian National or something else.

Now, one of the problems which the Canadian National had to meet in securing both passenger and freight traffic was to establish its identity as a transportation machine. On the other hand the Canadian Pacific had been in existence for several decades, had been the predominant railway in Canada, was well and favourably known, and rightly so, all over the North American continent, in fact all over the world, and we were like any other manufacturer who goes into a new field manufacturing some commodity, he has got to establish himself within the knowledge and the minds of purchasers that he is in the business otherwise people do not go to him. A man, for instance, who opens a new department store in a large city initially is obliged to go into a very considerable expense to establish himself which his older competitors may not at that time have to carry, but which they probably did have to incur at the time they started.

So that the large problem which confronted the Canadian National system was to advertise itself and establish its identity as a producer and seller of transportation, and all of those things, one of which you have referred to, and many others, were simply for that purpose.

Mr. HANSON: Sir Henry, in my humble opinion, the use of radio is perfectly legitimate, that is, the use that you make of it; but the criticism we have here, sir, is the establishing of the radio on the trains, and you are not proceeding, I understand, with that.

Sir HENRY THORNTON: No. That is a subject which is generally engaging our attention.

Mr. CANTLEY: Sir Henry, I wish you would take it out. It is a nuisance.

Sir HENRY THORNTON: The cost of equipping our trains for radio reception was $35,800. Now, opinions vary. Some people like it and some do not. I think on the whole more people like it than dislike it. It is very much like the question of whether you are going to allow people to smoke in the parlor car and on the rear end of the train. Some want to smoke and some do not and it is almost hopeless to try and satisfy them all.

Mr. GEARY: It is quite all right if you can differentiate there. You do not need to have the loud speakers.

Sir HENRY THORNTON: We have been getting away from the loud speaker as rapidly as possible, simply leaving it to the individual to use the ear telephone or not.

Mr. HANSON: What has been your capital cost for the installation of radio, both branches?

Sir HENRY THORNTON: $170,000.

Mr. FRASER: What is the annual charge?

Sir HENRY THORNTON: That is the total capital expenditure.

Mr. GEARY: For your broadcasting station?

Mr. FRASER: What did it cost last year?

Sir HENRY THORNTON: It cost us last year on operating account $420,000.

Mr. HEAPS: Is there any return?

Sir HENRY THORNTON: The only return is the value we think we get out of it in advertising. There again you have to differentiate between that which you think makes the best return—advertising in periodicals, or newspapers or the radio. This whole question of advertising is not susceptible to any precise formula. It is a matter of judgment. Now, we may make mistakes. I do not mean to say that our advertising policy has by any means been absolutely accurate. We have to try various means and see what the answer is and what the result may be, and this whole exploration of the field of radio was for the purpose of determining to what extent it might be regarded as a useful advertising implement.

Mr. HEAPS: There is another factor which I think should be borne in mind, that is the character of the entertainment and educational instruction, you might say that is put over the radio. I must say there has been a good deal of highly favourable comment on your concerts, something which cannot be measured in terms of dollars and cents. Then we have had those historical lectures coming over the radio and those symphony concerts which have been very much appreciated particularly out West.

Sir HENRY THORNTON: I am glad you referred to those historical sketches. That is something we hit upon ourselves and which, personally I think was pretty badly needed in Canada. After all, take Eastern Canada. I think about the most outstanding and perhaps the only real history that has been written about Eastern Canada was written by Parkman, and it is a rather amazing thing that in the whole of this country we cannot produce a historian of native birth that compares with Parkman.

Mr. GEARY: Just the same as the United States cannot produce a historian to compare with Goldwin Smith.

Sir HENRY THORNTON: Probably historians are claimed by no particular flag; but the whole history of Canada is full of romance, full of heroic things, full of noble deeds which furnish an admirable incentive to the on-coming generation and, speaking for myself personally, I felt that it was essential for the welfare of the Dominion that our young people coming on year by year should be familiar with the history of our country, and that was largely the motive which prompted the introduction of these historical sketches, and I think they have served a useful purpose.

Mr. HANSON: Your programs are good, Sir Henry.

Mr. GEARY: It is not a criticism at the moment at all, I hope it never will be; but I would like to have some idea of the capital outlay. You say $170,000. Do you mean to say the installation of your broadcasting station is included in that.

Sir HENRY THORNTON: Well, I have just got the figures here. This capital amount I have given you is exclusive of the rentals that we pay for the use of stations. You will find that in the $420,000.

Mr. HANSON: That is not capital.

Sir HENRY THORNTON: Mr. McLaren tells me that $170,000 represents the total capital expenditure.

Mr. GEARY: Could you tell me, roughly speaking, the cost of broadcasting from 1924 to the present date, the operating cost.

The CHAIRMAN: You had better put that in the form of a question.

Sir HENRY THORNTON: There was a decrease of about $20.000 last year, that is, comparing 1930 with 1929. Now, we could go back into past years.

Mr. GEARY: Is that a primary subdivision of some particular primary account.

Sir HENRY THORNTON: We can give you that if you desire it.

Mr. GEARY: I think I would like that.

Sir HENRY THORNTON: We will have it at the next meeting.

The CHAIRMAN: This radio business is looked upon as an advertising proposition. At the same time, Sir Henry, I think it would be just as well to give us a short memorandum of what other advertising there may be. Take for example any newspapers that you publish, or anything of that kind. Let us get it all together.

Sir HENRY THORNTON: Well, that would come up under the discussion on advertising.

Mr. KENNEDY: How much is being spent on the Colonization department?

Sir HENRY THORNTON: Might I just leave your question stand for a moment and answer a question that was asked in regard to advertising. The total advertising expenditure in 1930 was $1,452,000, an increase of $23,000 over the previous year, and I think that in total newspaper advertising, magazine advertising, there are 38 different items.

The CHAIRMAN: Can we have the details of that, Sir Henry?

Sir HENRY THORNTON: Yes. I will hand this to the official reporter.

ADVERTISING EXPENSES—1930-1929 COMPARATIVE

—	1930	1929	Increase	Decrease
	$ cts.	$ cts.	$ cts.	$ cts.
1. Transportation	209,655 33	244,112 64	....	34,457 31
2. Newspaper Advertising—Canada	102,007 47	87,913 85	14,093 62	
3. " " Washingtonian	1,686 88	2,512 77	....	825 89
4. " " Down Easter	1,792 79	1,686 20	106 59	
5. " " Pine Tree Acad. and Gull	1,308 35	1,276 48	31 87	
6. " " United States	261,244 78	240,393 97	20,850 81	
7. Magazine Advertising—Canada	2,794 08	4,482 34	....	1,688 26
8. " " United States	124,889 50	126,250 47	....	1,360 97
9. " " U.S. Off Season	....	59,964 73	....	59,964 73
10. Printing—Miscellaneous	30,483 64	30,568 15	....	84 51
11. " Special Publications	66,090 11	67,693 00	....	1,602 89
12. Picture Frames	10,337 82	12,446 44	....	2,108 62
13. Miscel. Advertising—Tour. Guides	1,954 60	4,188 58	....	2,233 98
14. Miscel. Expenses General	22,901 05	26,678 56	....	3,777 51
15. Express and Duty	27,121 99	22,611 17	4,510 82	
16. Engraving and Art	33,717 64	21,991 88	11,725 76	
17. Salaries	74,025 08	59,383 38	14,641 70	
18. Travelling Expenses	15,034 53	4,875 14	10,159 39	
19. Lectures—Canada and U.S.	7,789 54	8,540 54	....	751 00
20. Mot. Picture Films and Expenses	22,715 98	21,262 53	1,453 45	
21. Photographic Dept	11,356 71	17,597 56	....	6,240 85
22. Exhibitions—Canada	38,498 89	40,641 73	....	2,142 84
23. Window Displays	67,578 98	55,493 56	12,085 42	
24. Transparency Frames	....	1,113 42	....	1,113 42
25. Freight Advertising		3,813 25		3,813 25
26. Special Editions, etc	7,402 61	15,060 54	....	7,657 93
27. Australia and New Zealand	13,433 67	15,034 41	....	1,600 74
28. Oriental	8,345 72	7,587 65	758 07	
29. European Traffic Organization	70,234 50	66,865 72	3,368 78	
30. Time Table Folders, Cards, etc	122,792 50	124,918 43	....	2,125 93
31. Educational Publications	1,845 00	....	1,845 00	
32. Miscellaneous Publications	834 50	....	834 50	
33. Advertising—Far Tours U.S.A.	4,801 89	....	4,801 89	
34. Posters	4,600 25	....	4,600 25	
35. Chinese Advertising	595 88	....	595 88	
36. 18¾% cost New York Office	53,497 09	....	53,497 09	
37. Special Tour Conductors Expenses	1,863 93	....	1,863 93	
38. Central Vermont Ry	27,255 98	32,431 95	....	5,175 97
	1,452,489 26	1,429,390 94	161,824 82	138,726 50
Total Increase	....	....	23,098 32	

Mr. GEARY: I would like also to have a list of your insurance and the companies that are carried, and the amounts.

Sir HENRY THORNTON: We can give you that quite easily. I might just answer the general question by saying that most of the insurance is carried by our own insurance fund. We will make a note of that question.

The CHAIRMAN: I think it would be quite illuminating if we had Sir Henry give you a short resume of the insurance position. It is quite interesting and one that I would like the committee to hear.

Mr. HANSON: You mean at this time?

The CHAIRMAN: I do not care whether it comes now or not, but it is well worth having five minutes spent on.

Sir HENRY THORNTON: I can give that, in just a few minutes.

When this administration took charge of the combined Canadian National properties we were paying, as I recall it about $1,000,000 in premiums to various insurance companies and after 1923 the decision was reached that the railway company should establish its own insurance department and do its own insuring, on the theory that if we did two things, first, paid into our own department the same premium as we had previously paid to outside insurance companies and at the same time organize the department and pursue a reduction in fire loss through the introduction of proper fire protection and through proper inspection, that we could eventually build up an insurance fund which would meet the annual fire losses.

Mr. Heaps: Is this, Sir Henry, only referring to fire insurance.

Sir Henry Thornton: Yes. Now, this has been the result: the reserve fund of fire and marine insurance—has improved during 1930, and the total reserve as of December 31, 1930, is represented at $14,470,000. In other words, we have built up a reserve insurance fund of substantially fourteen and one-half million dollars.

Mr. Heaps: For how many years is that, Sir Henry.

Sir Henry Thornton: Since 1923. It is within the last eight years. That is the result of eight years accumulation.

Mr. Cantley: Sir Henry, you referred to marine insurance. I take it that refers to the boats in the service of the Canadian National Railways, not the Canadian Merchant Marine. Is that correct.

Sir Henry Thornton: The fourteen and a half million includes the Merchant Marine Service.

Mr. Cantley: It includes both?

Sir Henry Thornton: Yes. It is allocated as follows: Ten and a half million to what is known as land services, Canadian National system; three and a half million to the Canadian National Steamships, and $353,000 to the Canadian National West Indies Service, totalling approximately fourteen and a half million dollars.

Mr. Cantley: You have some boats on the Pacific coast.

Sir Henry Thornton: Yes, those we propose to insure outside.

Mr. Heaps: What loss, Sir Henry, have you had in that same period.

Sir Henry Thornton: $715,000 fire losses; marine losses $516,000, total $1,231,000. The increase in fire losses was due principally to the destruction by fire of our dock at Vancouver and the freight shed at Mission, Ontario. The dock at Vancouver at the time of the fire had not been turned over to us by the contractor. The result was that we did not have to shoulder the total loss, this being taken care of by the Underwriters. The same situation is more or less true at Mission; but that represented the fire losses for 1930. That was a fairly heavy year.

Mr. Heaps: Is the company thinking of extending that form of insurance to other branches of the service?

Sir Henry Thornton: In what respect.

Mr. Heaps: Well, compensation and so on.

Sir Henry Thornton: Well, that is under examination but we have not come to any conclusion with respect to what we should do with it.

I would like to say that this fourteen and one-half millions I mentioned is invested in securities; most of them are Canadian Government securities, which are kept in a separate fund for the benefit of the insurance fund itself.

Mr. Geary: That fourteen and a half million dollars is cash practically.

Sir Henry Thornton: Yes.

Mr. Geary: Has that been built up simply by allotting to that branch the ordinary underwriters's rate.

Sir Henry Thornton: That is right.

Mr. Geary: No Capital sum put in to start with.

Sir Henry Thornton: Oh, no.

Mr. GEARY: And it has increased then to that extent from the premiums themselves over and above the fire losses.

Sir HENRY THORNTON: Except, I think, that we started off with a fund of about $2,150,000 which the old Grand Trunk had. That was a fund which the former Grand Trunk had built up, and that was incorporated in the insurance fund.

Hon. Mr. MANION: Did not you tell me at one time—I just want it brought out if it is true, and I think it is—that you have really reduced your charges, your underwriting charges, so to speak, as compared with what you charged initially?

Sir HENRY THORNTON: Last year we made a reduction in our charges on account of insurance because we had this fund to build up. It represented the thrift of previous years, and we thought in view of the present condition of earnings, and so on, that we were justified in taking advantage of the prudence of previous years.

Mr. HANSON: And the result of your experience.

Hon. Mr. MANION: They felt they were safe. Could you give in round figures the insurance you carry outside your fund? I just want to have it on the record. I may say that, in my opinion, one of the most pleasing things I have run across is the way that insurance fund has been built up and established.

Sir HENRY THORNTON: Well it has been a very satisfactory experiment.

Mr. MCGIBBON: What about the amount of insurance running as compared with seven years ago.

Sir HENRY THORNTON: You mean the amount of outside insurance?

Mr. MCGIBBON: No, the amount carried on your own properties.

Sir HENRY THORNTON: I think we can get that in a minute. The total amount that we are insured for in the insurance fund is $391,500,000.

Mr. MCGIBBON: How do your premiums compare now with what they did seven years ago.

Sir HENRY THORNTON: I do not think I can give that off-hand; but my recollection is that in 1922 we paid something like $1,000,000 to outside companies as a matter of premium. Now we continue to pay that same amount into our own fund, and as a result of that—

Mr. GEARY: Not the same amount.

Sir HENRY THORNTON: Yes, the same amount, I mean at the same premium rates. That is the way we built up this fund, by paying to ourselves the money which we previously paid in premiums to outside companies.

Mr. GEARY: Well at that point, Sir Henry, in 1922 your premium payments to outside companies would be $1,000,000.

Sir HENRY THORNTON: Roughly that.

Mr. GEARY: With your increase in buildings, and that sort of thing, would you not to-day pay a greater premium than $1,000,000?

Sir HENRY THORNTON: Yes, of course our railway premium in 1929 was $1,685,000; in 1930 it was $810,000. Last year we had a couple of very unfortunate fires, but we have been pretty steadily reducing our fire losses.

Mr. GEARY: No, but your property covered has increased.

Sir HENRY THORNTON: That may be.

Mr. MCGIBBON: In other words, it is just a bulk insurance you take cn the whole thing.

Sir HENRY THORNTON: That is it.

Mr. HEAPS: You had been paying out $1,000,000 a year, and then you commenced paying into your own insurance fund. Taking the interest that that $14,000,000 would bear you will probably be able to carry the insurance on your property withou paying any premiums at all.

Sir HENRY THORNTON: That is just exactly where we are getting.

Mr. GEARY: But if the earthquake zone moved from San Francisco to Vancouver.

Sir HENRY THORNTON: Of course, we may have an earthquake or a serious conflagration at any time.

Mr. HANSON: The safety of your position is the wide distribution of your risk.

Sir HENRY THORNTON: In 1929 we paid in premiums to outside companies $141,000 and in 1930 $245,000. Many railway companies have insurance funds. For instance, my recollection is that the Pennsylvania has an insurance fund which has a capital value of about $20,000,000. When they get to that point, which we are approaching now, they very often put out their large risks outside to protect their own fund. They really reinsure against their own fund and usually get extraordinarily favourable rates for a thing of that kind.

Mr. GEARY: Is your investment in outside companies like the Toronto terminals covered by your own insurance fund.

Mr. McLAREN: That is carried in an outside company and charged against the expenses of the Toronto Terminals.

Mr. KENNEDY: I understood you to say you were paying about $1,000,000 a year in 1922 to outside companies.

Sir HENRY THORNTON: That is just my recollection, from memory.

Mr. KENNEDY: What I was wondering was, if you started with a little over $2,000,000 of reserve taken over from the Grand Trunk Railway and you are paying into your own fund $1,000,000 for about eight years, how did you get up to $14,000,000.

Sir HENRY THORNTON: That money was invested in I think, 5 per cent bonds. It has been drawing an interest rate of 5 per cent on the investment each year. It has a compounding interest.

Mr. KENNEDY: The losses must have been very small.

Sir HENRY THORNTON: Yes, they were quite small up until as I say, last year when we had some pretty heavy marine losses and some pretty bad fire losses.

Mr. GEARY: I should not think you are very strong in reserve on account of marine losses. That is a pretty heavy rate. You have increased your advertising last year.

Sir HENRY THORNTON: By $23,000. The detail of it I have handed in. Are there any further questions. If not shall we proceed.

Mr. KENNEDY: I think I asked you something about the colonization branch.

Sir HENRY THORNTON: Oh, yes. Our expenses on account of colonization, agriculture and natural resources last year were $546,000, a decrease of $45,000 as compared with the previous year.

Mr. KENNEDY: Well, what are they doing, most by advising settlers to move from one part of the country to the other?

Sir HENRY THORNTON: Most of our colonization efforts are towards bringing in families who have themselves a certain amount of capital, which has been fixed upon, and settling them on the land. Of course, everybody knows that immigration has been considerably reduced in the last year or so.

Mr. **Kennedy**: A lot of the farmers in the west think that you might as well be employed putting them back in the city instead of putting them on the land under present conditions.

Sir **Henry Thornton**: Personally I do not agree with that. I do not think there is any useful purpose to be served in driving people to the cities to-day.

Mr. **Hanson**: Mr. Black, your director, is here and I think it would be most interesting and illuminating if we could have a short statement from him as to just what they are doing.

Sir **Henry Thornton**: Dr. Black is the director of colonization.

Dr. **Black**: On this question of colonization, of course, it is well known that Canada is not interested in getting any number of new people into the Dominion at the present time. What the gentleman has just said in regard to the opinion of the farmers in Western Canada—

Mr. **Kennedy**: Some of them.

Dr. **Black**: Some of them, yes, of course is being recognized, and it is not only being recognized, but insofar as it appears to be in the public interest I believe that the policy of the railways, and of the department for that matter—although I am not here to speak for any other institution but our own—is being guided accordingly.

I think it is being recognized to-day by all of us that in view of the present conditions to which you have referred, Sir Henry, about bringing people to the cities, it would be better for a lot of people now in the cities if they were somewhere where they could contribute to the production of the kind of food which they require for themselves, and just recently a plan has been worked out whereby the federal department of immigration and the Immigration Department of the two railways are coordinating their activities to that end.

Now, I want to point this out to you in connection with the expense that has been incurred in connection with our effort, that we have been identified with the coming to Canada of quite a few people, agricultural people within recent times, people coming from other land settlements in order to increase the density of population on the land adjacent to our railroad. That has gone on very well in good times, but when times change, as they have in the last year, it does not seem justified to quite the same extent. But here is a feature of it which we are obliged to deal with at the present time, and which is responsible for a certain amount of expense. We have had a good many people coming to Canada in the last five years who have not attempted to settle on farms of their own immediately. That is to say, we have settled last year a great many families which have come here; this year we have assisted in the settlement of a great many families on land in Western Canada who were here before; and up to the 1st of June, I may say we actually had assisted 1,011 families this year in getting established on the land in Canada, and that included not only families in Western Canada who were here before, but it included some families which had come from the United States, although quite a number were those who formerly had lived in the Province of Quebec and had returned to parts of Quebec where they can settle on land and to parts of Ontario and parts of Western Canada.

No one has gone to settle on the land in Ontario for the purpose of making money, but rather for the purpose of establishing themselves where they will ultimately have a home and be able to take care of themselves.

I do not know of any responsible colonization man to-day who desires to increase immigration for the purpose of increasing the problem so far as production is concerned. We all realize that the people who came to this country came for the purpose of establishing homes for themselves.

I do not know that I have answered the question. There are many aspects of the situation, and if anyone would like them explained, I would be glad to explain them as well as I can.

Mr. Hanson: Mr. Black, what are you doing in the different provinces?

Mr. Black: I am glad that question has come up, because the situation is not the same really in any two districts of Canada. We have one problem in British Columbia, where they will welcome a class of settlers that the Prairies do not want. Ontario also has another and different problem; and also they are different in New Brunswick and Nova Scotia.

In New Brunswick and Nova Scotia they determined that they would assist certain colonists from the British Isles and from Scandinavian countries. None has been coming from France. There is not exactly an order, but a statement has been issued by each of these provinces that they will take 150 families from selected European countries. There is also what is known as the New Brunswick family system, by which 150 British families may come there and be settled under a scheme which is very much the same as what is known as the Three Thousand British Family Scheme, which applied to all Canada three years ago.

New Brunswick and Nova Scotia, and also Prince Edward Island, are three of the provinces of Canada which have not been entirely in accord with the sentiment of the West, and for their own reasons; and in fact the immigration problem is about the same in the Maritime Provinces to-day as it was in other parts of Canada say five years ago; and these provinces are co-operating with the Federal Department of Immigration to promote immigration to the Maritime Provinces, so long as they can be sure it means more settlers on farms; and thus is confined to settlers on the land.

The Chairman: Now we go on with the analysis, Mr. Fairweather.

Mr. Fairweather: Labour, Materials and Miscellaneous—

Mr. Hanson: Before you proceed, Mr. Fairweather, on the preceding page, page 10, "Transportation Expenses. The expenses of conducting transportation in 1930 and 1929 were as follows." Just what is meant by conducting transportation?

Mr. Fairweather: The details will be found on page 21 of the Annual Report.

Sir Henry Thornton: That represents briefly such items as are incurred through the actual movement of the traffic.

Mr. Hanson: Outside of the running of the trains themselves?

Sir Henry Thornton: Oh, all that is in it, trainmen and train supplies, all outside of maintenance.

Mr. Fairweather (Reading):

	Decrease		Net
—	Due to Change in rate per Man Hour or Price of Material	Due to increase in Quantity	
	$	$	$
Labour	60,338 (Inc.)	7,238,383	7,178,045
Materials and Miscellaneous	1,258,542	3,491,491	4,750,033
Total	1,198,204	10,729,874	11,928,078

As indicative of the economies resulting from new equipment, the coal used in freight service per thousand gross ton miles was 118 pounds in 1930, as compared with 143 pounds in 1923. At the present price of coal, this economy represents a saving of approximately $2,200,000 per annum in the fuel bill of the Railway. The 1930 ration of 118 pounds per thousand gross ton miles compares with 121 pounds for all Class 1, U.S. Roads. Additional savings in Passenger and switching services, etc., would approximate $500,000, or a total of approximately $2,700,000.

Mr. McGIBBON: How do you account for the decrease in coal consumption?

Mr. FAIRWEATHER: By the increased efficiency of our locomotives, burning less coal. That results from the application of economy devices to our locomotives, and from the very close scrutiny of the supervising officers of the way the coal is handled, from the time it is obtained until it is consumed. Our efficiency in the consumption of fuel is increasing steadily.

Mr. HANSON: At the same rate?

Mr. FAIRWEATHER: I can give it to you.

Mr. KENNEDY: How do you account for the fact that you beat the work of the United States railways?

Mr. FAIRWEATHER: I think it is the result largely of more capable supervision.

Sir HENRY THORNTON: Our locomotives have been built, I think, largely by the Kingston Locomotive Works, some by the Montreal Locomotive Works, and some in our own shops.

Mr. GEARY: Is it your own school of engineering which devised these improvements?

Sir HENRY THORNTON: They are the result of the intelligence of the supervising officers of the Engineering Department. That is a part of the ordinary day by day work of the mechanical department. I think in connection with that I might say that I think we have the best Chief Mechanical Engineer on the North American Continent.

Mr. GEARY: You specify what you want in a locomotive, then, if you get it built by the Kingston Locomotive Company?

Sir HENRY THORNTON: Yes.

Mr. GEARY: It is your design?

Sir HENRY THORNTON: Not mine personally, but that of the supervising officers.

Mr. McGIBBON: Does that include the short hauls? Anyone who drives a motor knows that he will get more miles on a long run than he can on a short one.

Mr. FAIRWEATHER: That is true, and that is one of the things which has aided us. We were one of the first companies on this continent to establish long engine runs. We have engine runs up to 800 miles.

Years ago an engine was run only about 125 miles. We early realized the economy from extended runs that when the condition of the roadbed and of the equipment would permit of it we put in longer engine runs, and we now have engine runs up to 800 miles in length.

Mr. McGIBBON: Due to the fact that the wheat crop, for example, is a long haul, increased a little from the year before, but the dropping off of the traffic was in your in transit and local stuff.

Mr. FAIRWEATHER: We are really talking about a highly technical thing. This unit of consumption of coal per thousand gross ton miles is a measure which takes into account these variations which have been spoken of, as well as it can be taken in by technicians.

To show that there has been steady improvement, if you will take the index of fuel consumption, starting in 1923 as 100; in 1924 it was 104·3; in 1925 it was 111·4; in 1926 it was 113·2; in 1927, 114·0; in 1928 it was 118·7; in 1929 it was 116·8 and in 1930 it was 118·7.

Sir HENRY THORNTON: Showing progressive improvement in this one particular item.

Mr. McGibbon: This may not be directly on the point, but how does the efficiency of a railway engine now compare with what it was?

Sir Henry Thornton: Speaking of the state of the art, the steam locomotive of ten or fifteen years ago had a fairly bad reputation; and electrification was travelling on its heels; but like many other things, that excited in the minds of railway executive and mechanical officers a desire to see if something could not be done with the good old steam locomotive; and progressively, in the last ten years, there has been concentrated effort to improve the efficiency of the steam locomotive, and that has reflected itself upon the position which we find to-day, with the result that the steam locomotive is as a machine much more efficient than it was several years ago.

Mr. Geary: Are you burning oil much now?

Sir Henry Thornton: The burning of oil is pretty much confined to British Columbia.

Mr. Fraser: You think your system is pretty well up in the forefront?

Sir Henry Thornton: We know it is.

Mr. Fairweather: (Reading):

The principal Increases and Decreases, by Primary Accounts, follows:—

Principal Increases	Oper. Joint Yds. and Termls. Dr.	$ 203,990
	Injuries to Persons	57,758
Principal Decreases	Station Employees	1,263,316
	Yard Conductors and Brakemen	989,410
	Yard Enginemen	744,260
	Fuel for Locos	3,459,683
	Train Enginemen	1,397,610
	Trainmen	1,399,806
	Train Supplies and Expenses	385,548
	Loss and Damage Freight	288,861
	Express Service	554,669

Mr. Hanson: This question of station employees, I suppose, includes doing away with unprofitable stations?

Sir Henry Thornton: And reduction in forces in other operations.

Mr. Hanson: Could you tell me how many places have been closed? That is quite a burning question down in Nova Scotia and New Brunswick and creates a decided feeling in the communities. I do not question your right to do it.

Sir Henry Thornton: We have explored that field, and where we felt that stations could be closed without undue inconvience to the public they have been closed. Of course, every time you close a station, that particular community does not welcome that idea.

Mr. Hanson: You have a status of earnings, however, upon which you base the decision, either to close or to keep it open?

Sir Henry Thornton: We have to take into consideration the general requirements of the community itself.

Mr. Fraser: I see your "Loss and Damage"— What was the amount of the loss in that respect?

Sir Henry Thornton: $872,000.

Mr. Fraser: That was a lot of money.

Sir Henry Thornton: That is a lot of money in itself, but you have to consider it in relation to the total. The total freight revenue was $163,000,000.

Mr. Fraser: What was the principal reason of those losses? What was the main reason?

Sir Henry Thornton: Perhaps Mr. MacLaren can answer that question.

Mr. MacLaren: I believe a large percentage of it is due to concealed loss; that is shipments made by shippers arriving at the consignees' premises, and found to be short.

Mr. Fraser: Pilfering?

Mr. MacLaren: Yes.

Mr. Hanson: I have in mind a wreck within the last few months which must have cost the railway $100,000 in freight damage alone, and the equipment I could not begin to estimate. Those are big losses.

Sir Henry Thornton: I think possibly the larger amount is not found in one individual wreck, but through a small amount of claims originating on a number of shipments.

Reference was made to the size of the freight claim, which was about $800,000, and that you have to compare with the revenue from freight of $160,000,000 odd. A percentage of loss for freight claims on the Canadian National runs about what it is on other railways.

Mr. Hanson: It is a fortuitous circumstance.

Sir Henry Thornton: Sometimes you may have to pay a claim which it would not be good strategy to resist. You have to have some regard for business principles and policy. On the point here, the class 1 railways in the United States paid out, in relationship to their freight earnings, in 1929 $^{75}/_{100}$ of 1 per cent of their earnings. The Canadian National railways paid out $^{58}/_{100}$ of 1 per cent. Our figure for 1930 was $^{53}/_{100}$ of 1 per cent. So that our record is better than that of the Class 1 railways in the United States.

Mr. Heaps: I would like to raise a certain question at another meeting, out of a question raised here to-day, as to the comparative quantity of grain shipped from Canadian and United States ports. From Canada it was much greater than I thought it was. I am wondering whether the management of the Canadian National Railways or the Committee here could find a little time for considering ways and means of equalizing the shipments between Canadian and American ports.

Sir Henry Thornton: I can say that if anyone can show us any way, by any co-operative movement, to retain a larger quantity of this traffic on our lines we will do so. It is a desirable thing to do, as it means more money; but we have found that the routing of grain and the ports through which it moves is entirely determined by the shippers themselves.

If we can find any way to improve our position in that respect and increase the amount of Canadian grain passing through Canadian ports and over Canadian railways, whether it be by the Canadian Pacific Railway or ourselves does not matter, we will be glad to do anything we can to assist in that.

Mr. McGibbon: Does it not generally go, like water, by the easiest course?

Sir Henry Thornton: The availability of ocean tonnage and the ocean rate usually determine the port to which the grain goes.

Mr. Cantley: Is it not a fact that ocean liners out of New York have actually carried grain for nothing, or on occasions have paid a premium to get it?

Mr. Burnap: They have sometimes taken it for ballast purposes.

Mr. Cantley: I have known cases where they have actually paid a premium for the purpose of getting it.

Mr. Geary: They have come over loaded and have to go back empty, and want ballast.

The Committee adjourned to Thursday, June 18, at 11 o'clock a.m.

SESSION 1931

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

THURSDAY, JUNE 18, 1931

WITNESSES:

Sir Henry W. Thornton, K.B.E., President of the Canadian National Railways.

Mr. S. W. Fairweather, Director, Bureau of Economics, Canadian National Railways.

Mr. J. B. McLaren, Comptroller, Finance Department, Canadian National Railways.

Mr. D. C. Grant, Vice President, Finance Department, Canadian National Railways.

Mr. T. H. Cooper, Assistant Comptroller, Finance Department, Canadian National Railways.

Mr. C. S. Gzowski, Chief Engineer, Construction Department, Canadian National Railways.

Mr. S. J. Hungerford, Vice President, Operation and Construction Department, Canadian National Railways.

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1931

MINUTES OF PROCEEDINGS

THURSDAY, June 18, 1931.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government met at 11 a.m. Hon. Mr. Chaplin, the Chairman, presided.

Members present: Messrs. Bell (*St. Antoine*), Bothwell, Cantley, Chaplin, Euler, Fiset (Sir Eugene), Fraser (*Cariboo*), Hanbury, Heaps, Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Manion, Rogers, Stewart (*Lethbridge*).

Sir Henry Thornton replied to questions asked yesterday, viz:

(1) Were all the steel rails ordered and delivered in 1930 put into the track?

(2) How many stations did the Canadian National Railways close during the year 1930?

(3) Railway ties purchased in New Brunswick, 1928, 1929 and 1930.

(4) Railway ties on hand at December 31, 1928, 1929 and 1930.

(5) Comparison of Radio operating costs, 1924 to 1930.

The Committee resumed consideration at page 11 of an "Analysis of 1930 Results of Operation as Compared with 1929."

By permission of the Committee, Mr. Hackett, M.P., asked some questions.

The Committee adjourned at 1 p.m. until 4 p.m.

The Committee re-assembled at 4 p.m.

Members present: Messrs. Bell (*St. Antoine*), Cantley, Chaplin, Euler, Fraser (*Cariboo*), Gobeil, Gray, Hanbury, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Manion, Rogers, Stewart (*Lethbridge*).

Sir Henry Thornton provided a supplementary answer to the one given at the morning sitting respecting the number of Canadian National Railways stations closed in 1931.

The Committee resumed consideration at page 17 of an "Analysis of 1930 Results of Operation as Compared with 1929."

The Committee adjourned at 5.35 p.m. until Tuesday, June 23, at 11 a.m.

JOHN T. DUN,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons, Room 231.
Thursday, June 18, 1931.

The Select Standing Committee on Railways and Shipping met at 11 o'clock a.m. Hon. J. D. Chaplin, Chairman, presiding.

The Chairman: Gentlemen, I have been delayed for a few minutes hoping that the Minister might come in, but we will proceed and clean up page 11 on the analysis.

Sir Henry Thornton: I think first, Mr. Chairman, I had better give the answers to the questions that were asked yesterday.

Col. Cantley asked were all the steel rails, ordered and delivered in 1930, put in the track. The answer is:

Gross Tons Purchased..	145,243
Gross Tons Laid in Main Lines..	117,691
Carried in Stock, Dec. 31, 1930..	27,552

Mr. Hanson asked, how many stations did the Canadian National close during the year 1930. There were eight stations closed, as follows:—

Powel, Man, May 5, 1930.
Henrysburg, Que., April 2, 1930.
Noyan Junction, Que., Feb. 15, 1930.
Maitland, Ont., March 21, 1930.
Carlsbad Springs, Ont., March 11, 1930.
Stackpool, Ont., Nov. 5, 1930.
Seagrave, Ont., June 20, 1930.
Iberville Junction, Que., Dec. 3, 1930.

And the date is given of the closing of the stations.

Mr. Cantley: I thought that his enquiry referred not only to 1930 but also up until the present time, 1931.

Sir Henry Thornton: Well, that is the way we understood the question.

Mr. Cantley: That is my understanding of it.

Sir Henry Thornton: We were dealing with 1930 figures, and I assumed the question related to that.

Mr. Cantley: Well, that was my understanding of it.

The Chairman: Just enlarge the question so that the information is brought up to the present time.

Mr. Cantley: There were more stations closed in 1931 than there were in 1930.

Sir Henry Thornton: They were all closed by the action of the Board of Railway Commissioners. However, that will be answered to-morrow, Col. Cantley. I cannot tell you just offhand.

Mr. Fraser asked the comparative price of ties in British Columbia for delivery in 1930 and 1931. I will give that information if the committee wishes it, and Mr. Fraser wishes it.

The Chairman: There is just one thing that I want to call the committee's attention to, that the rule laid down by the committees in the past has been this, that present contracts have not any right to be enquired into. It may be detrimental to the interests of the road. Now, if the President of the road feels that giving out that information is a detriment then it should not be given.

Sir Henry Thornton: Well, I think it is objectionable in this case although I would not have the slightest objection to giving it to Mr. Fraser privately if it would satisfy him. It would result in a comparison between the price paid for ties in one part of the country as compared with others, and there will be an immediate effort made to increase the price of ties unduly, and all that sort of thing. I think it is detrimental to the interests of the country to give out that information publicly, but I should have no hesitation in giving it to Mr. Fraser privately if he would like to have it, and if that would satisfy him.

Mr. Fraser: I cannot object to your opinion, Sir Henry. I would have to defer to what your opinion is and accept any information you would give me. As a matter of fact, it is not of any interest to me to give it to me privately. I would rather not have it privately because I would get into trouble some day by letting out something that you would not want me to let out.

Sir Henry Thornton: Well, I am willing to take a chance on you.

Mr. Fraser: Give us what information you care to file.

The Chairman: I think the principle is pretty sound in not giving out an information regarding current contracts.

Mr. Heaps: Is that your ruling, Mr. Chairman?

The Chairman: Absolutely.

Sir Henry Thornton: Mr. Hanson asked the same question, or substantially the same question, the comparative prices of ties bought in New Brunswick for 1930-31, and what I have said with respect to the previous question applies to that.

Mr. Hanbury asked the average price for coal in the different districts for the last two years, and that again is in precisely the same category, and I would rather not give that information.

Mr. Hanson asked for a statement showing the ties purchased and delivered in New Brunswick for each of the three years 1928, 1939 and 1930, and the answer is: 1928, 1,320,972; 1929, 1,514,900; 1930, 609,766. I will pass that over to the official reporter.

Mr. Hanson asked for a statement of ties on hand at December 31, 1928, 1929 and 1930. The answer is: 1928, 7,332,036; 1929, 11,121,995; 1930, 11,729,917. I will hand that to the official reporter.

Colonel Geary asked for a comparison of operating costs radio, 1924 to date. The answer is:—

1923	$ 10.146 06
1924	122.466 01
1925	240.686 49
1926	273.062 51
1927	285.604 30
1928	317.278 88
1929	441.082 00
1930	420.028 17

And I will hand that to the official reporter.

Mr. McGibbon: Just on that point, Sir Henry, could you tell us where you buy your radio equipment.

Sir Henry Thornton: Is there anyone here who can answer that question? Do you know, Mr. Vaughan?

Mr. Vaughan: From different sources. We use different types of radios. They are all bought in the open market with the best possible discounts.

Mr. McGibbon: Do you buy them wholesale or retail?

Mr. Vaughan: Wholesale.

Mr. McGibbon: From the manufacturers?

Mr. Vaughan: Largely, yes.

Mr. McGibbon: Probably you can give us their names?

Mr. Vaughan: There is the Northern Electric, the Majestic—

Mr. McGibbon: You need not do it to-day.

Sir Henry Thornton: Is that a question you want answered, Dr. McGibbon?

Mr. McGibbon: Yes.

Sir Henry Thornton: Will you make a note of that, Mr. Vaughan?

Mr. Vaughan: Yes.

Sir Henry Thornton: Shall we proceed now?

The Chairman: Yes.

Mr. McGibbon: There is a question I asked yesterday with regard to the enormous amount spent on wreckage and injuries to persons in 1929, as compared with the Canadian Pacific Railway. In looking over the comparative statement I find that there is an increase in the National Railways of over $200,000, the figures for clearing wreckage being $399,000 against $159,000, and to injured persons $860,000 against $527,000. It struck me that possibly there might be some explanation.

Sir Henry Thornton: Well, I think Mr. Fairweather has some figures that will answer that question.

Mr. Fairweather: I have a comparison here of the expenses clearing wrecks, and damage to freight, injuries to persons on the C.P.R. and Canadian National from 1925 to 1929.

In making a comparison of those figures it must be understood that in the Canadian National you are dealing with a system about some 21,000 route miles in extent, and on the C.P.R. about 14,500 route miles and, of course, that has a distinct bearing upon the comparison.

Under the item of clearing wrecks, we appear in the Canadian National to be consistently higher than the Canadian Pacific. That is quite true. The figures are:—

	Canadian National	*Canadian Pacific*
1925	$399,000	$135,000
1926	403,000	136,000
1927	469,000	164,000
1928	531,000	147,000
1929	399,000	159,000

which latter figures are those which Mr. McGibbon quoted.

The explanation of that, to a certain extent, lies in the increased mileage of the Canadian National. But these amounts must really all be viewed in total, and when you come to loss and damge freight you find that on loss and damage freight the Canadian National has a somewhat better performance than the Canadian Pacific. I will not quote the gross figures, although I have them here; but I will express them as percentages of the freight revenue, because that is what they are best comparable with, and I find this, that in 1925 the percentage of Canadian National loss and damage freight is ·535 of 1 per cent. The Canadian Pacific was ·632 of 1 per cent. That is, they were considerably higher than the Canadian National.

The next year, 1926, the loss and damage freight on the Canadian National was ·479 of 1 per cent. On the Canadian Pacific it was ·551 of 1 per cent.

In 1927 the Canadian Pacific practically equalled us. Ours was ·538 and theirs ·526.

In 1928 the figures were identical, ·516.

In 1929 the Canadian National stood at ·531 and the Canadian Pacific at ·605.

A similar comparison shows that both Canadian roads are better than the average class I United States roads. The figures for the United States roads in 1929 were ·75 per cent.

Sir HENRY THORNTON: The point there is that both Canadian roads were better than the best American railways with respect to their particular item.

Mr. FAIRWEATHER: Now, when you come to injuries to persons you find there a close parallel between the two systems. If you adjust for the difference in mileage in the Canadian National you find that the Canadian National is on a very comparable basis to the Canadian Pacific.

Mr. CANTLEY: Train mileage would be the basis there not railway mileage.

Mr. FAIRWEATHER: Train mileage would be the proper basis.

Mr. MCGIBBON: Do I understand you to say the two roads were equal?

Mr. FAIRWEATHER: I would say that would be a fair statement. And, further, that taking all the accounts together, as nearly as I can see the situation is this: The Canadian National has an advantage on one count and the Canadian Pacific on another count; but taking them by and large they are of equal efficiency in this regard and are better than the Class I roads in the United States. I have figures of comparison here in connection with the Class I roads in the United States, but I will not burden the committee with them.

Sir HENRY THORNTON: Shall we proceed.

The CHAIRMAN: Yes.

Mr. FAIRWEATHER: Commencing at page 11, Miscellaneous Expenses.

A comparison of Expenses for Miscellaneous Operations for 1930 with 1929 follows:—

1930	$ 2,235,525
1929	2,403,141
Decrease	$ 167,616 or 7·0%

This decrease was principally on account of a reduction in Expenses of Dining and Buffet Service of $148,879, due to decreased service.

General Expenses in 1930 and 1929 compared as follows:—

1930	$ 7,696,385
1929	7,184,738
Increase	$ 511,647 or 7·1%

The chief increase was Pensions $440,299. There were 2,276 ex-employees on the Pension roll at the end of 1930.

Mr. FRASER: Could we have some information with regard to pensions? What is the general scheme of pensions? What is the general layout with regard to pensions.

Sir HENRY THORNTON: There is a complete and somewhat exhaustive statement of the Pension and Relief Department.

Mr. FRASER: Well, might I ask, is it a contributing system.

Mr. FAIRWEATHER: Well, there are a number of pension systems on the Canadian National. There is, in the first case with regard to employees of the Canadian Government railways a contributory system.

An Hon. MEMBER: I understand these are inherited systems.

Mr. FAIRWEATHER: That was initiated at the time when the Intercolonial railway was directly operated by the government. Then there is on the Grand Trunk a contributory scheme.

Sir **Eugene Fiset**: Has that fund of the Intercolonial been transferred to the Canadian National, or is it still handled by the Department.

Mr. **McLaren**: The Grand Trunk superannuation fund is still continued by the Canadian National.

Mr. **Fairweather**: Then with regard to the Grand Trunk there was a superannuation scheme which was contributory. That scheme has been closed out in the sense that no new members are admitted to it. Existing members continue to pay and their pensions are fixed by that scheme.

Hon. Mr. **Euler**: All new employees come under the general scheme of the Canadian National.

Mr. **Fairweather**: Yes, sir.

Sir **Eugene Fiset**: I understood that they had the right to elect to join the new pension scheme or remain under the old one.

Mr. **Fairweather**: They had that privilege. Then there is the general non-contributory scheme of the Canadian National. That was modernized, I believe, last year was it not, Sir Henry?

Sir **Henry Thornton**: I believe so.

Mr. **Fairweather**: And applies to all employees of the Canadian National who are not either under the Canadian Government railway pension or under the Grand Trunk superannuation.

Hon. Mr. **Euler**: Is that the system now on the Canadian National under which all new employees come?

Sir **Henry Thornton**: Yes.

Mr. **Fairweather**: We have a little pamphlet here, Rules and Regulations for Pension Fund.

Sir **Henry Thornton**: Would it be of interest to you to have copies of that distributed amongst members of the committee?

The **Chairman**: I think it would be well to have a copy of that delivered to each member of the committee.

Sir **Henry Thornton**: I believe that an examination of the pamphlet will pretty well answer the question.

Mr. **Fraser**: Let me ask this, Sir Henry: Are the pensioners on the American lines under this system you have outlined here, or have you an entirely different system, or separate system for your American lines and your Canadian lines.

Sir **Henry Thornton**: It is all one.

Mr. **Fraser**: Well, now, could you tell me how many of your pensioners according to this you have given here who have been Canadian employees, are living at the present time and drawing their pension in the United States? The reason I am asking that, Sir Henry, is this: I have heard not only at one divisional point but at two divisional points in my district that what is happening is this, that some of the people who are working on the Canadian railways, on your Canadian system, have never become naturalized subjects of Canada, and as soon as they get their pension they depart to the United States and get the benefit of the pension over there.

Sir **Henry Thornton**: I think the best way to answer that question—and I am speaking from memory, but I think the figures are accurate within a negligible percentage of error, we, of course do not know; take the whole of our personnel, we do not know exactly how many are Canadians, and how many are foreign citizens. To secure that information—in fact, I do not know whether it could be really accurately secured; but the only way you could start to secure it would be to question each individual as to his citizenship, and about the time you asked the first question from the first man I think you will probably find that all the rest of them will be Canadians. However, with respect to officers receiving $5,000 a year salary or more, there are about, as I recall it, fourteen or fifteen Canadians working on our lines in the United States, and there is something like eleven or twelve of United States citizenship working in Canada.

Now, what the nationality of the brakemen and the conductors, or the enginemen, or the machinists or the track labourers may be, I haven't any idea; but my guess would be—and I think I am right—that only a negligible proportion of the total staff of the Canadian National are of foreign citizenry.

Mr. HANBURY: In Canada?

Sir HENRY THORNTON: In Canada. Of course, that is just my estimate, and you can easily see how difficult it would be to take a census of the whole railway and attempt to get accurate information.

Mr. FRASER: My object in asking the question was simply because of that criticism, that a lot of your pensioners immediately depart to the United States and get their pension there, and it is only fair to the Canadian National that the fact should be disclosed. That is the reason I asked the question.

Sir HENRY THORNTON: Well, I do not think it is a fact.

Mr. HEAPS: I was going to ask, Sir Henry, at what age the employees of the company are eligible for pension, and, secondly, how long a person had to be employed by the company before he is entitled to a pension.

Sir HENRY THORNTON: That will all be found in this pamphlet, which will be distributed, Mr. Heaps. The whole thing is there. Will that satisfy you, an examination of that pamphlet?

Hon. Mr. EULER: I would suggest that you just hit the high spots in connection with this question. I doubt very much whether the members of the committee will take the time to read that pamphlet.

Sir EUGENE FISET: I would like to have the questions answered by the president, because we have hundreds of questions come to us from different employees.

Mr. MACMILLAN: On numerous occasions I have men come to me in Saskatoon complaining about the American citizens who are employed on the National Railways. I do not know anything about it. I have never bothered about it; but I have just received two letters to-day about the same thing. One of them reads, in part, as follows:—

> "If you wish to delve into this matter you will find that our Canadian National Railways, especially in the Rolling Stock Department, is very much Americanized. In fact, you will find that a number of the American trainmen have been working for the system for a number of years and have not even taken out naturalization papers."

I think it would be important if some information can be obtained.

Sir HENRY THORNTON: As a matter of fact, that was a question which the Minister and I discussed, oh, it must have been two or three weeks ago, I think, and he had had similar complaints. We discussed it and I said I did not know how we were going to get definite information on the subject. I can get it as far as the principal officers are concerned. That is simple, and I have just given you the answer in that respect.

The CHAIRMAN: Let me make a suggestion here. We are getting employees and pensions mixed up. It seems to me the question of pensions and who gets the pension can be very easily and readily determined because those pension cheques are sent to a certain place. It seems to me that if we get that information by itself that will clean up one side of it and you will have to take some other method to clean up the other. Let us get one thing at a time.

Sir **Henry Thornton**: Mr. McLaren, is there any way that you could arrive at any information which would throw light upon that, from the residence of the individual who gets his pension?

Mr. **Cantley**: Where you mail the pension cheque to?

Sir **Henry Thornton**: That is what I mean. For instance, if he lives at Rochester, New York, if his pension cheque is sent there, the assumption is that he is an American citizen, although he might not be.

Mr. **Heaps**: I know of many such cases. For example, in the city from which I come people born in this country, Canadian citizens, become eligible for pension, and they leave the city and go to either Victoria or Vancouver. To my mind, that will not determine the citizenship of the individual.

The **Chairman**: That is perfectly true. I think you will find that the number that are over there is very small. On the other hand, this will be quite satisfactory to the committee to know that is the worst it can be.

Sir **Henry Thornton**: Following up what Mr. Heaps has just said, we know quite a number of our pensioned employees have gone to California to live. We know they are Canadian citizens but they have elected to take their pension and go to live perhaps at Hollywood.

Mr. **Hanbury**: They have reached that age?

Sir **Henry Thornton**: Possibly a tribute to their virility.

Mr. **MacMillan**: I do not think it makes a particle of difference where he goes; but I do think, to settle this question of the number of American people who are employed on the Canadian National, that some information might be obtained in that connection. I am not speaking from a critical point of view at all, but there are a number of people running about who are talking about the Canadian National Railways just in that connection, and it would be a good thing, I think, to have some information on that very point.

Sir **Henry Thornton**: Mr. Hungerford's department probably employs more men than any other department, and I am just wondering whether he, from his general knowledge and experience, could throw any light upon the question that has been asked, just showing roughly what percentage of the employees of the Canadian National are of American citizenship.

Mr. **Hungerford**: I cannot possibly answer that. I have no knowledge on which to base a statement. I do not think that there is any large number of American citizens employed in the Eastern provinces; but out West during the period when construction was very active it is a fact that a considerable number of American railwaymen came up there and got jobs, and I think that is really the explanation of what Mr. MacMillan speaks of.

Sir **Henry Thornton**: What happened was this, and it was quite obvious: When railway construction commenced in Canada—it really had its inception on a large scale with the construction of the Canadian Pacific—the railway industry of Canada did not embrace a very large number of experienced men, experienced in the profession, and quite naturally the Canadian railway authorities had to draw on the United States. As a matter of fact, Mr. Beattie is to-day the first President of the Canadian Pacific of native birth. Now, that was just a natural conclusion. None of the Grand Trunk officers, or certainly at least very few of them in that day went to work for the Canadian Pacific, and it is perfectly natural that when this large amount of railway construction started that there should have been an almost necessitous inflow of American citizens for the purpose of assisting in the construction and operation of Canadian railways.

Hon. Mr. **Euler**: I do not think there is very much to be gained by tracing up pensioners who are living in the United States. Even though you do find that some of them are American citizens, you cannot do anything about it. Even a Canadian can go where he likes and spend his pension. But with regard to those who are now employed on the Canadian National in Canada it might possibly be well for the management to just let it be known that if any of them are foreigners they had better become Canadian citizens. And what is perhaps more practical still, would it not be possible for the management to ascertain before they engage a new employee, from now on, whether or not he is a Canadian citizen?

Sir **Henry Thornton**: That would be easy, I should think.

Hon. Mr. **Euler**: Yes, that would be quite easy.

Sir **Henry Thornton**: I will say very frankly that I think that is right. I believe that any individual who is in receipt of substantial emoluments from an enterprise in Canada, and particularly with respect to a state-owned railway, ought to become a citizen of that country. Now, if I may go so far, that is exactly the position which confronted me in England. I expected to spend the rest of my life in England. I had, incidentally, forfeited my American citizenship by going into the British army before the United States entered the war, and for three years I had no country, because I had not lived in England long enough, five years, to take out my citizenship papers. But I intended to live in England; I intended and expected to make my living in England, and I wanted to become a British subject, and as soon as my five years were up—and three days did not elapse after that five years were up—I took out my papers. The same thing applies to any other individual who gains his livelihood in a foreign country. He ought to join up and stop presenting a visitor's card to the club. With that we are all of us, every officer of the company and certainly the executive administration of the company, thoroughly in accord with that principle.

Hon. Mr. **Euler**: And then in future when new employees come on would it not be possible just to have them submit proof that they are Canadian citizens?

Sir **Henry Thornton**: No objection to that at all as far as we can carry it out practically.

Mr. **Fraser**: Primarily my question was not directed to the nationality of the pensioner at all. It was directed to the question of how many pensioners were living in the United States.

Sir **Henry Thornton**: I understand. Now, just after this discussion, briefly, gentlemen, what information do you want? What would you like us to try to get?

Mr. **Fraser**: Well, now, my question in the first place was simply how many of your pension cheques go to the United States irrespective of the nationality of the pensioner.

Sir **Henry Thornton**: We can get that.

Mr. **Heaps**: I was just wondering, Mr. Chairman, if that rule was carried out, how it would affect Canadian workers on the lines in the United States.

Sir **Henry Thornton**: Well, of course, there again you get into a reciprocity situation. I suppose if you took a census of all of the Canadians who were working in the United States in responsible positions, and took a similar census here with respect to Americans, you would find that there was a very considerable number of Canadians who were in very responsible and profitable positions in the States and the balance would be really against us.

Mr. **Heaps**: You are referring particularly to the lines operated by the system in the United States?

Sir **Henry Thornton**: In the United States. Of course, on the lines that we operate there the great bulk, necessarily, of the employees and officers are American citizens. It could not be otherwise. Just as I say in Canada the great bulk of our officers and employees are Canadian citizens.

Mr. HEAPS: What I am thinking of is this, Sir Henry: Say that we insist on this, that they become naturalized Canadians. We have probably in the United States on the lines owned and operated by the company a large number who are Canadian citizens and who might prefer to retain their Canadian citizenship, for which I would not blame them. If we insist on an American changing his nationality here we may be faced with a similar situation on our lines in the United States which might create a hardship.

SIR HENRY THORNTON: You might easily start up an international question and you might incite reprisals. There is no question about that.

Hon. Mr. EULER: A bit of moral persuasion would be enough.

Hon Mr. MANION: Is not that practically the law in the United States now. I think it is perfectly fair. An awful lot of people came back to Canada when conditions got bad in the United States, because a great number of concerns over there were dropping Canadian citizens.

Mr. HANBURY: That was not government policy, that was propaganda.

SIR HENRY THORNTON: Well, it worked out that way, I rather think. Just tell us what questions you would like answered. We have got one and if there are any others, we will try and get the information.

Mr. FRASER: When you are on that question, what percentage of your total employees are employed on American roads properly in your American system.

SIR HENRY THORNTON: We can get that, but we have not got it here. You would like the number of employees on the payrolls, the number not only on the payrolls of the Canadian National in Canada but the number that are on the payrolls of our American lines.

Mr. FRASER: That is the question.

SIR HENRY THORNTON: We can get that.

Mr. CANTLEY: Sir Henry, there were 2,276 pensioners, the average pension working out at less than $200 per year.

SIR HENRY THORNTON: I think we can get that for you.

Mr. MCLAREN: The average pension is $641.06.

Mr. CANTLEY: Well, the average increase this last year was about $193.

Hon. Mr. EULER: Does that include all the executives and others?

Mr. FAIRWEATHER: That 2,276 was the total number of employees on the pension rolls at the end of 1930.

Mr. FRASER: And the $440,000 is the increase, not the total?

Mr. FAIRWEATHER: Not the total.

Mr. MCLAREN: The total of the pensions including Eastern lines is $2,158,117.16.

Hon Mr. EULER: What is the number of pensioners?

Mr. MCLAREN: The number of pensioners at December 31, 1930 was 3,380.

Hon. Mr. EULER: What is the retiring age?

Mr. FRASER: How is it that figure does not correspond with what you have here?

Mr. MCLAREN: That includes Eastern Lines and Central Vermont railways. I will give you the breakdown. The Canadian National including the Grand Trunk Western is 2,035; Canadian Government Railways 1,296; Central Vermont 49; total 3,380.

Mr. BOTHWELL: What proportion of them would be contributory?

Mr. MCLAREN: The total number under the contributory arrangement is 1,296.

Hon. Mr. EULER: What is the retiring age, and is it the same in all the pension systems?

SIR HENRY THORNTON: I do not think it is the same.

Mr. MCLAREN: I believe it is 60 on the C.G.R. and 65 on the balance of the Canadian National system.

Hon. Mr. EULER: Is that under your standard system, 60 years?

Mr. MCLAREN: 65.

Hon. Mr. EULER: Under the system you are working under now.

Mr. MCLAREN: Under the Grand Trunk superannuation, they may, if they so desires, take superannuation at the age of 55.

Mr. HEAPS: Could you tell us, Sir Henry, out of the total amount what the cost is to the system for pensions each year?

Sir HENRY THORNTON: What is that again?

Mr. HEAPS: Out of the total amount paid out each year, you are receiving certain contributions, what is the net amount of the cost of pensions to the system?

Mr. MCLAREN: The net amount is the figure I have just given, $2,158.-117.16.

Hr. HEAPS: Well, that is the net amount, in addition to that, to the actual amount of pensions being paid, to be added to the amount that is contributed.

Mr. MCLAREN: Right. That is the amount that is charged to the railway.

SIR HENRY THORNTON: The figure Mr. McLaren has given represents the figure charged to the railway expenses.

Mr. MCLAREN: Perhaps I can answer Mr. Heaps's question this way: The average pension is $641, and of that there is charged to the railway $557. The balance of it is contributed by the employees.

Mr. FRASER: I may have missed something, or it might be very hard to get it into my head, but I cannot yet understand that total of 2,276 employees under your pension scheme, and still this gentleman reads out the number as 3,300.

Sir HENRY THORNTON: Mr. Fairweather will answer that question.

Mr. FAIRWEATHER: In the first part of this pamphlet it is explained that the analysis is the analysis of the annual report of the Canadian National exclusive of the Eastern lines. The Eastern Lines are shown at the back. This figure of 2,276 relates to the Canadian National.

Mr. FRASER: Not to the American lines.

Mr. FAIRWEATHER: Oh, yes, it includes the American lines but it does not include the Eastern lines.

Mr. FRASER: Well, what are the Eastern lines.

Mr. FAIRWEATHER: That is the difference between the figure here and the figure that Mr. McLaren gave.

Mr. FRASER: But what are the Eastern lines.

Mr. MCLAREN: The Canadian National, apart from the Eastern lines. expense for pensions for the year 1930 was $1,507,377.20. For the Eastern lines it was $650,739.96.

Sir HENRY THORNTON: You want to find out the division lines between the East and the West.

Mr. FAIRWEATHER: The division line is at Levis. Technically it is called Diamond Junction, but it is at Levis.

Sir EUGENE FISET: But the Eastern division begins at Riviere du Loup.

Mr. Fairweather: That is the Atlantic Region. The Eastern lines start at Levis.

Sir Eugene Fiset: There is a difference between the Eastern division and the Eastern lines. The Eastern division begins at Riviere du Loup and the Eastern lines begin at Diamond Junction.

Sir Henry Thornton: That is right.

Mr. Fraser: Practically it is the Maritime lines then.

Sir Henry Thornton: Yes. Now, have we got you cleared up, Mr. Fraser.

Mr. Fraser: Yes, thank you. I have got some information anyway.

Sir Henry Thornton: Well, if you have not got all you want we will try to get it.

Mr. Fairweather: Transportation for Investment—(Credit) represents the cost of transportation service incurred in moving men and materials required for railway construction on capital account, which expense is credited to Operating Expenses and charged to Capital.

A comparison of 1930 and 1929 follows:—

1930—Credit	$1,360,199
1929—Credit	1,963,044
Decrease Credit	$ 602,845 or 30·7%

This decrease is due to the decrease in Branch Line construction and decreased relaying rail and ballasting.

TAXES, MISCELLANEOUS OPERATIONS, NON-OPERATING INCOME AND DEDUCTIONS FROM GROSS INCOME

The remaining items of Income and Expense, as shown on page 17 of the Annual Report may be classified into four groups. The first of these groups is composed of railway taxes and uncollectible railway revenue; the second, under the name of Miscellaneous Operations, has to do with the Hotels; the third shows rents receivable, profit on separately operated properties, dividend income and such like items; the fourth shows rents payable, losses on separately operated properties, miscellaneous charges and interest. These groups lead progressively to totals showing railway operating income, total operating income, gross income and net income.

The main item of the first group is Railway Tax Accruals. Railway taxes show an increase in 1930 over 1929 of $361,934. Taxes have shown a decided tendency to increase from year to year. The increase of 1930 taxes over 1923 amounts to $1,494,000. It might be well to point out too that this item does not include all taxes paid by the Railway, such as Hotels, Subsidiary Companies etc., thus, the total taxes accrued by the Canadian National Railways in 1930 amounted to $6,519,708, whereas Railway Tax Accruals amounted to $5,694,012.

Hon. Mr. Euler: May I ask there, is it not a fact that the Canadian Pacific is exempt from taxation in some of the Prairie Provinces?

Sir Henry Thornton: My recollection is—and I would like any officer who happens to know about it to correct me—that the main line of the Canadian Pacific in the prairie provinces from the time of its construction was exempted from taxation by law or by some statute that was passed at that time. Is that your understanding of it Mr. McLaren.

Mr. McLaren: I cannot say, Sir Henry.

Sir Henry Thornton: Is the tax commissioner here?

Mr. **Cantley**: That was incorporated in the Charter of the company.

Sir **Henry Thornton**: Yes, I think that is substantially correct, but I am only speaking from memory. Do any of our officers who are present happen to have any knowledge of that? I could get our tax commissioner up. He does not happen to be here. However, I think you will find that is a fact.

Sir **Eugene Fiset**: So are certain lines of the Canadian National.

Sir **Henry Thornton**: Certainly, I do not deny that. I just simply answered the question that Mr. Euler asked.

Mr. **Euler**: I was just trying to get what difference that made relatively between the two systems.

Sir **Henry Thornton**: I am not sure that I have answered the questions that have been asked. If I have not, please ask some more. There are certain portions of I think both railways that are exempt from taxation, and I suppose that when the railways were originally constructed that was one of the contributions of the state to secure transportation facilities.

Hon. Mr. **Euler**: It is hardly fair to the municipalities though.

Sir **Henry Thornton**: Well, in those days I dare say the municipalities welcomed the advent of the railway, and in other cases I think there would have been no municipality had there been no railway.

The **Chairman**: In many cases the municipality bonused railways too to get them.

Sir **Henry Thornton**: Oh, yes.

Mr. **Fraser**: I understand the total taxes paid by the railway are $6,500,000.

Sir **Henry Thornton**: That is right.

Mr. **Fraser**: Is that in Canada only, or does that include your American taxes as well.

Sir **Henry Thornton**: That includes the American tax. It is the tax bill of the railway on the whole property.

Mr. **Fraser**: $6,500,000.

Sir **Henry Thornton**: Yes.

Mr. **Hanbury**: Would you make a general statement as to your insurance.

The **Chairman**: That was all gone into yesterday. It is on the record and we do not want to repeat it.

Mr. **Fairweather**: The hotel operations of the Canadian National are shown under the headings of revenues from, expenses of and taxes on Miscellaneous Operations. The hotels in 1929 incurred a loss of $1,091,053; in 1930 the loss was reduced to $126,841, an improvement in the year of $964,212. This improvement is almost wholly due to the fact that 1929 expenses included non-recurring charges in connection with the renovation of the Chateau Laurier, and extraordinary maintenance incurred in the same year at the Fort Garry and MacDonald Hotels. It is satisfactory to note that hotel revenues in 1930 decreased less than 1 per cent from the 1929 figures.

Hon. Mr. **Euler**: Would I be in order to reverting back to the matter of taxes. I have a question here in connection with taxes. I am referring to the Canadian Pacific: —

> "The terms were princely, for constructing some 1,900 miles of railway the syndicate were to be given free and complete the 710 miles under construction by the government, $25,000,000 in cash and $25,000,000 acres of selected land in the fertile belt. They were promised exemption of taxes on land for 20 years after the patents were issued and on stock and other property forever, and exemption from regula-

tion of rates until 10 per cent had been earned per annum on the capital. Assurance was also given that no competitive road would be chartered for 20 years."

Mr. KENNEDY: What taxes are the railways subject to, municipalities and provincial governments?

Sir HENRY THORNTON: Oh, most everybody, I suppose you might say the bulk of it is the municipalities and the provinces, and of course, there is the gentle little sales tax that comes along.

Mr. KENNEDY: Does this include the added cost of material due to the tariff.

Sir HENRY THORNTON: No.

Mr. KENNEDY: I heard someone say in parliament the other day that the tariff was a tax.

Sir HENRY THORNTON: I suppose most everything is a tax.

Mr. FAIRWEATHER:

Non-operating Income in total showed an increase of $1,062,529. The principal items of increase are:—

Dividend Income..	$ 495,022
Income from Funded Securities..	281,040
Income from Unfunded Securities and Accounts..	251,470
Joint Facility Rent Income..	109,277
Income from Sinking and other Reserve Funds..	106,667
Contributions from others..	100,000

Dividend Income was swelled by special dividends from the Detroit Terminal Railroad of $400,000 and special dividends from the C. & W.I. Railway of $100,000. Income from Funded Securities increased as the result of the holdings of Northern Alberta Railways Bonds and Toronto Terminal Railway Bonds by the System. The increased income from Unfunded Securities and Accounts reflects the Unemployment Relief Act of 1931, under which interest payments accrued to the railway. The increased income from Sinking and other Reserve Funds reflects the growth of these funds. Contribution from others represents the amount due by the province of Manitoba in connection with the Flin Flon Branch in Manitoba.

The principal items of decrease are:—

Separately operated properties (profit)..	$ 198,596
Rent from work equipment..	83,508

The latter item reflects the restricted volume of construction work. Separately operated properties (profit) should properly be viewed with separately operated properties (loss), which will be found in the next group.

These two accounts record the operation of a number of enterprises carried on by the Canadian National Railways, but which are distinct from the steam railway operations. A complete schedule of them may be found in the Annual Report on pages 34 and 35, where each is marked with an asterisk. Included in these accounts there are 24 properties, of which number 12 are included in the item of separately operated properties (profit) and 12 in separately operated properties (loss).

The results of operations of all these properties, as reported in 1930, indicate a loss of $793,733, as contrasted with a profit of $273,707 in 1929. There is, therefore, a worse showing in separately operated properties to the extent of $1,087,440. Practically all of these enterprises suffered a severe reduction in revenues due to the general business depression. The principal decreases which go to make up the $1,067,440 are as follows:—

Company	Decrease 1930-1929
Northern Alberta Railways	$ 406,131
Can. Nat. Steamship Co. Ltd.	472,105
Oshawa Rly. Co.	92,934
Other Increases and Decreases— Net Decrease	96,270
	$ 1.067.440

The poorer showing of the Northern Alberta Railways resulted from the extensive program of rehabilitation of the property.

The Canadian National Steamships covers the coastal operations on the Pacific Coast. Two new steamers were put in operation in the year, but too late to take full advantage of summer tourist traffic. Revenues increased $154,803. Expenses increased $633,163 on account of heavy maintenance to vessels and docks and the operation of the additional boats.

Mr. Kennedy: How much was spent on the rehabilitation of the Northern Alberta roads?

The Chairman: Let that stand as a question.

Sir Henry Thornton: I think we have got that right here, Mr. Chairman.

Mr. Fairweather: The expenditures less retirements in the year applicable to capital account on the Northern Alberta railway totalled $2.500.000; $1,700.000 was new construction and Additions and Betterment totalled $795,000. That was distributed to right-of-way expenses, crossings, etc., $400,000, office, station and grounds $86,000; water-stations $4,000; bridges $10,000, and rolling stock $284,000.

Sir Henry Thornton: Does that answer your question, Mr. Kennedy?

Mr. Kennedy: Yes.

Mr. Fraser: Would this be the place to ask, Sir Henry, what the program is in that connection this year, expenses on the Northern Alberta Railway?

Sir Henry Thornton: That will be in the budget.

The Chairman: We will come to that in another place.

Mr. Fraser: Very well.

Sir Henry Thornton: Shall we proceed, Mr. Chaiman?

The Chairman: Yes.

Mr. Fairweather: The Oshawa Railway Company suffered particularly as a result of the slump in the automobile industry.

Deductions from Gross Income show an increase of $3,002,324. The principal items of increase are:—

Interest on Funded Debt	$5,628,053
Separately Operated Properties (Loss)	868.844
Joint Facility Rents	501,189

The increase in interest on Funded Debt reflects the increase in capital issues, the principal items being:—

$18.000.000—5 per cent Equipment Notes "K"—dated June 1, 1929	$ 343.264
60,000,000—5 per cent Bonds—Dated July 1, 1929	1,556,164
60,000,000—5 per cent Bonds—Dated October 1, 1929	2,488.510
18,000,000—5 per cent Bonds—Dated February 1, 1930	792,500
15.750,000—4½ per cent Equipment Notes "L"—Dated June 1, 1930	391,781
50,000,000—4¾ per cent Bonds—Dated June 15, 1930	1,195,975
	$6.768.194

Hon. Mr. Euler: Was there any loss in the sale of these bonds? Did you sell at less than par, or was there a premium?

Sir Henry Thornton: We can give you that in just a second.

An Hon. MEMBER: I suppose these are all guaranteed by the government.

Sir HENRY THORNTON: The equipment bonds are not guaranteed.

Mr. FAIRWEATHER: The issue made in June, 1930, of $50,000,000 was sold at a cost to the company of 4.93 per cent. I think that answers your question.

Hon. Mr. EULER: That was the discount.

Mr. FAIRWEATHER: It was the equivalent of 4.93 per cent.

Sir HENRY THORNTON: That is the yield. They sold at 97.31. I may say that, of course, those sales were made as the result of competitive bids.

Hon. Mr. EULER: Well, that is, they bore 5 per cent. They did not sell at a discount.

Mr. FAIRWEATHER: No, sir. The issue of February 1st 1930, we received 5.12.

Hon. Mr. EULER: That was a premium.

Mr. FAIRWEATHER: I am sorry. There was a discount.

Hon. Mr. EULER: Your are paying 5 per cent.

Mr. FAIRWEATHER: Yes.

Mr. MCLAREN: $18,000,000 were sold, fifteen and a half million at 98.086, and two and a half million at 99.10.

Mr. HANBURY: Are those bonds callable?

Mr. GRANT: The $60,000,000 bonds are callable, in twenty years.

Sir HENRY THORNTON: I think they all have a callable feature.

Mr. GRANT: All the longer term bonds issued recently are callable.

Mr. HANBURY: Are they all payable in New York?

Mr. GRANT: They are payable in Canada, New York, and London, England.

Mr. KENNEDY: Does that mean that the holders elect where they will accept payment?

Mr. GRANT: Yes. They are payable in Canada, New York and London, England.

Mr. KENNEDY: According to the choice of the holder.

Mr. GRANT: The holder of the bond has that option.

Mr. FAIRWEATHER: The balance of the change in this account, $1,140,141, is due principally to certain funded securities being retired during the year.

Separately operated properties (loss) has already been dealt with.

The principal items showing decreases are:—

Hire on Freight cars—Debit Balance..	$3,160,137
Interest on Unfunded Debt..	652,576

The decrease in hire of freight cars was due to the greately decreased number of foreign cars received from connections on account of the business depression, also to the increased despatch given foreign equipment and to an increase in System owned equipment. The progressive improvement which has taken place in the Company's Freight car equipment, through the replacement of obsolete cars with modern cars, has resulted in a substantial economy. The extent of this program may be seen from the following figures:—

	Cars Scrapped	New Cars Purchased or Built
1923..	1,875	6,964
1924..	1,649	2,492
1925..	2,506	787
1926..	2,540	127
1927..	2,165	3,072
1928..	4,119	360
1929..	3,576	6,758
1930..	3,156	4,934

The decrease of $652,576 in Interest on Unfunded Debt is due to less temporary financing in 1930 than in 1929.

Sir **Eugene Fiset**: Mr. Chairman, I wonder with regard to the floating of these bonds if the Government has ever taken into consideration the fact that they might float them themselves and advance the money direct from the treasury to the Canadian National in the form of a loan.

Hon. Mr. **Manion**: Well, as a matter of fact, the Canadian National when they do float their loans they are guaranteed by the government.

Sir **Eugene Fiset**: Not all.

Hon. Mr. **Manion**: Well, all those loans at the present time are guaranteed by the government with the exception of the equipment loans, and before anything is done the matter is submitted to the government, so that the government has full control of the matter.

Sir **Henry Thornton**: The government has complete control.

Sir **Eugene Fiset**: I notice in the Bill before the House at the present time that you go to an extreme in the way of security as far as the government is concerned. You have attached the form of loans which the Canadian National are bound to float and you have specified the time and so on, and so on of all these loans, and before they can be floated by the Canadian National they have to be approved by Order in Council. What is the difference between the government taking the full responsibility of floating these bonds themselves and making an advance direct from the treasury to the Canadian National in the form of a loan.

Hon. Mr. **Manion**: I presume, as my friend, General Fiset suggests, that could be done. But, as a matter of fact, since the government guarantees the loan I do not think they would get any lower price for them, that is I do not think the Canadian National would get any lower price for them than if the government sold them themselves. And, in addition to that, it is the desire of the Department of Finance—and of course, this is really the business of the Minister of Finance and not the Minister of Railways—that the Canadian National Railways should act largely as if it were a private company. In other words, do its own financing with the guarantee and the backing of the government. That is the purpose at the present time of this Bill, or Bills. I do not think the price would be any lower. Mr. Grant, who is the financial Vice President is here, and I would like to ask him what he thinks of the proposal of General Fiset.

Mr. **Grant**: Well, a Dominion of Canada Bond would command a better price than a Canadian National Ry. Guarantee Bond.

Hon. Mr. **Manion**: How much better?

Mr. **Grant**: About one-tenth of 1 per cent.

Mr. **Heaps**: Mr. Chairman, could we not have the figures for these fixed loans which are mentioned here on this page, to show if there was any difference in the price obtained by the railways and in the prices that were obtained by the government.

Sir **Henry Thornton**: Of course, you have got to remember this that the government and the Canadian National are both going into the money market for loans anad necessarily they have, to some extent, to keep out of each other's way, that is to say, we have got to have some regard as to what is going to happen, as to what the condition of the market is, and what time the loan is coming out, and that is determined by the Minister of Finance in the government. There is a general consultation. We act under the instructions of the government endeavouring, so far as possible, to handle our respective loans in that fashion which will be to the best advantage to each.

The CHAIRMAN: If, for example, there is any doubt about the National Railways and the government getting into conflict, then the argument of the General is bound to be correct, that it is better for the government to handle the whole thing.

Hon. Mr. MANION: May I interject there, that the government advances money, or authorizes the railway to borrow at the bank until a suitable time arrives for the railway to borrow it.

Sir EUGENE FISET: These loans are made subject to the approval of the Privy Council. The reason why I am asking this question, sir, is this, that I noticed in your estimates this year that you have provided simply for the necessary authorization for the Canadian National to float their own loans fully guaranteed by the Dominion Government subject to the authority of the Privy Council, and nowhere in that Act is there any provision for any direct advance from the Treasury to the company.

Hon. Mr. MANION: Yes, but it is being done all the time. I venture to say that at this moment the Canadian National owes the government quite a bit of money. Is that not so, Mr. Grant.

Mr. GRANT: Yes.

Sir EUGENE FISET: The reason I am asking that is this, that in the form of your estimates last year the first vote provided in the estimates was advances from the Treasury. The second vote was loans from the public which the government guaranteed, and the third loans from the public without the guarantee and then temporary borrowings.

Hon. Mr. MANION: May I interject this also, that there is absolutely no change whatever from the usual practice. Is that not true, Mr. Grant? There is absolutely no change whatever, even with these two Bills that we have passed. It is simply doing it in a different form, but exactly the same thing will be done as has been done in the past.

Mr. GRANT: The new Bill provides for temporary borrowings.

Hon. Mr. MANION: Is that not so, Mr. Grant, there will be no change whatever in the vote at all.

Mr. GRANT: No change whatever.

Sir EUGENE FISET: I am sorry, sir, but we have not seen the Bill which evidently Mr. Grant is discussing. The Bill which Mr. Grant is discussing at the present time is a different Bill, but in your Bill as far as it affects the Canadian National there is no provision whatever for direct borrowings from the Treasury.

Hon. Mr. MANION: There does not have to be, because they borrow from the Minister of Finance.

Mr. GRANT: May I read the last paragraph of this Bill:—

> "Pending the issue and disposal of such guaranteed securities, the Governor in Council may from time to time authorize advances to be made to the Company from the Consolidated Revenue Fund, or to be obtained by the Company from persons other than His Majesty, on such terms and conditions as the Governor in Council may approve, such advances to be reimbursed by the Company from the proceeds of the sale, pledge or other disposition of such guaranteed securities."

Sir EUGENE FISET: That was one of the main points. I suppose we can discuss this matter. You say that these temporary loans can be paid out of the Consolidated Revenue.

Mr. GRANT: We say we can borrow.

Sir EUGENE FISET: The moment the advance is made from Consolidated Revenue is it not a fact that these various expenditures become subject to the Auditor General.

Mr. **Grant**: That is a government matter.

Hon. Mr. **Manion**: I think on the 1st of January, 1931, there was somethink like $45,000,000 or $46,000,000 loaned by the government to the National Railways, and at various times throughout the year whenever they are thinking of putting out a bond issue, if it does not happen to be a good time, Mr. Grant, the Vice-President in charge of finance, discusses it with the Minister of Finance and myself, because it is really a matter for the Minister of Finance, and if it is not considered a good time to put out the loan, then the government advances the money, or they authorize some bank to advance the money to carry the railway along until such time as the loan is sold.

Sir **Eugene Fiset**: But you see, sir, in that resolution brought down by the Prime Minister providing for $68,000,000 there is provision for meeting certain expenditures. That is in the first paragraph. Then in the second paragraph he provides for those same expenses in two or three different ways. The object of this, I understand, is to prevent switching from one vote to the other. I mean that you provide also that part of the $27,000,000 can be attached, or allotted if you like, or used, or switched, to fill in the gap, and that the money raised by those loans is to be deposited by the Consolidated Revenue. Now, it becomes a statutory expenditure by the very fact that you are providing for that expenditure in such a way, and if it is a special expenditure it becomes subject to audit by the Auditor General. The deficit on the Eastern lines, the deficit on account of the Maritime Freight Rates Act, also the Canadian Merchant Marine are all statutory expenses and they are all subject to audit by the Auditor General under a special ruling of the Treasury Board, and I would ask if the Minister would be kind enough to bring down before this Committee the ruling of the Treasury Board that directs the Auditor General as to the mode. What I am not clear about is this, sir, if that $68,000,000, even temporarily, is going to be embodied in the Consolidated Revenue of Canada. If it is, then it becomes subject to audit, in my opinion.

Hon. Mr. **Manion**: I can be corrected if I am wrong, but it is in exactly the same position as it has always been. If it is put in the Consolidated Revenue it stands as it did in the past, so that the government will have some check upon the expenditures of the railway.

Mr. **Grant**: I would like to clear up a little matter. The proceeds of the Canadian National loans are not deposited to Consolidated Revenue. They are deposited in trust for the Canadian National.

The **Chairman**: Gentlemen, Mr. Heaps asked a question, if it would be possible for Mr. Grant to give us a comparison as between those loans made by the railway and similar loans made recently by the government itself. I do not think it will be vary hard to make a short statement on that showing any disparity made between the value of the loan made by the Canadian National and the government itself on some of their own borrowings.

Sir **Eugene Fiset**: Is a sinking fund provided for every one of those loans?

Mr. **Grant**: A sinking fund is not provided in these recent loans.

Sir **Henry Thornton**: I think we had better clear up Mr. Heaps' question. I think what Mr. Heaps wants to know is how successfully does the railway finance its loan as compared with the government. That is really what he wants to know.

Mr. **Heaps**: Yes.

Mr. **Grants** I may just say that at different times of the year different market conditions prevail, and that would vary these comparisons. For instance, the government's last loan was made at a different period of the year from ours. You cannot compare unless you take practically the same date.

Sir **Henry Thornton**: As a matter of fact, the government and ourselves do not go into the money market simultaneously. That is subject to the decision of the Minister of Finance. The government and ourselves keep out of each other's way.

The **Chairman**: The object of Mr. Heaps' question is to determine in his own mind whether the method of financing by the railways is effective and whether it is profitable. That is what he wants to get at.

Mr. **Heaps**: I know it is difficult to obtain an answer to that question at a moment's notice, but possibly Mr. Grant might bring down a statement at some other time.

Mr. **Grant**: Yes, I will do that.

Mr. **Fairweather**: We now pass to the Eastern lines, having completed the income account of the Canadian National Railways.

Eastern Lines

ANALYSIS OF 1930 RESULTS OF OPERATIONS AS COMPARED WITH 1929

Under the provisions of the Maritime Freight Rates Act of 1927, separate accounts are shown for the lines east of Levis and Diamond Junction (Eastern Lines).

The Income Statement for the Eastern Lines is shown on page 43 of the Annual Report, with supplementary details of revenue and expenses on pages 44-48.

RAILWAY OPERATING REVENUES—RAILWAY OPERATING EXPENSES—NET DEFICIT FROM RAILWAY OPERATIONS

A comparison of the Monthly Revenues, Expenses and Net Deficit from Railway Operations follows:—

	Railway Operating Revenues			
	1930	*1929*	*Increase*	*Decrease*
January..	$2,184,108	$2,195.862		$ 11,754
February..	2,363,318	2,222.862	$140,456	
March..	2,883,287	2,666.562	216,725	
April..	2,809.595	2,660,642	148,953	
May..	2,560,727	2,586.512		25,785
June..	2.300,917	2,426,633		125,716
July..	2,263,478	2,725,951		462,473
August	2,344,058	2,747,002		402,944
September..	2,176,$41	2.613,688		437,647
October	2,289,204	2,634.656		345,452
November.	2,082,352	2,424.169		341,817
December..	2,341,468	2,713.468		372,000
Total..	$28,598,553	$30.618.007		$2,019,454

	Railway Operating Expenses			
	1930	*1929*	*Increase*	*Decrease*
January..	$2.761,321	$2,525.341	$235,980	$
February..	2,716,828	2,624,743	92,085	
March..	2,780,080	2.624.428	155,652	
April..	2,693,334	2,636.804	56,530	
May..	2,890,469	3,078.857		188.388
June.	2,882,648	3,356,598		473,950
July	3,111,047	3.326.656		215,609
August..	3,073,671	2,943.627	130,044	
September..	2,692,591	2,652,499	40,092	
October	2.517,984	2,558.817		40,833
November..	2.433,121	2,604.303		171,182
December..	2,475,421	2,862,709		407,288
Total..	$33,028,515	$33,815,382		$786,867

	Net Revenue from Railway Operations			
	1930	*1929*	*Increase*	*Decrease*
January..	$577,213 (D)	$329,479 (D)		$247,734
February..	353,510 (D)	401,881 (D)	$ 48,371	
March..	103,207	42,134	61,073	
April..	116,261	23,838	92,423	
May.	329,742 (D)	492,345 (D)	162,603	
June..	581,731 (D)	929,965 (D)	348,234	
July..	847,569 (D)	600,705 (D)		246,864
August..	729,613 (D)	196,625 (D)		532,988
September..	516,550 (D)	38,811 (D)		477,739
October	228,780 (D)	75,839		304,619
November.	350,769 (D)	180,134 (D)		170,635
December..	133,953 (D)	169,241 (D)	35,288	
Total..	$4.429.962 (D)	$3,197,375 (D)		$1,232,587

(D) indicates Deficit.

Freight revenue in 1930 was $19.263.792, compared with $20.982.595 in 1929, a decrease of $1,718.803 or 8·2 per cent. The Government contribution for freight rate reduction under the Maritime Freight Rates Act, amounting in 1930 to $2.362.205, is included in freight revenue. With the exception of mine products, all commodity groups show a decrease in tonnage carried, as indicated by the following:—

	Tons Carried 1930	*Per cent of Total*	*Decrease over 1929*	*Per cent Decrease*
Products of Agriculture..	932.639	14·10	170.843	15·5
Products of Animals..	83.897	1·27	3.305	3·8
Products of Mines..	1.766.566	26·71	47.668 (Inc)	2·8 (Inc)
Products of Forests	1,995.014	30·16	279.483	12·3
Products of Manufactures and Miscellaneous..	1,835.719	27·76	204.937	10·0
Total..	6.613.775	100·00	610.900	8·5

Details by commodities are shown on pages 52 and 53 of the Annual Report.

Passenger revenue declined from $5,119.462 to $4,702.573, a decrease of $416.889 or 8·1 per cent. Passengers carried decreased 9·3 per cent, passenger miles decreased 10·3 per cent and revenue per passenger increased 1·2 per cent.

Telegraph revenue increased from $399,428 to $632,796, an increase of $233.368 or 58·4 per cent. This was due to the operating of the Maritime Lines of the Western Union Telegraph Company for a full year in 1930, as against six months' operation in 1929. These lines were purchased July 1, 1929.

RAILWAY OPERATING EXPENSES

During 1930 the operated road mileage of the Eastern Lines was increased 9·95 miles by the completion of the Lake Verde-Pisquid Branch; mileage of all tracks increased by 11·10 miles as follows:—

	1930	1929	Increase
Operated road mileage..	3,342.39	3,332.54	9.95
Miles of all tracks..	4,253.54	4,242.44	11.10

The comparative Railway Operating Expenses of the Eastern Lines for 1930 and 1929, by General Accounts, were as follows:—

			Decrease	
General Account	1930	1929	Amount	Per cent
Maintenance of Way and Structures.. ..	$ 8,100,091	$ 8,208,335	$ 108,244	1.3
Maintenance of Equipment	6,170,984	6,576,682	404,698	6.2
Traffic..	952,686	897,769	54,917 (Inc.)	6.1 (Inc.)
Transportation..	15,876,353	16,390,607	514,254	3.1
Miscellaneous..	400,065	431,478	31,413	7.3
General..	1,600,936	1,384,175	216.763 (Inc.)	5.7 (Inc.)
Transportation for Investment—Credit ..	72,602	72,664	62	0.1
Total Oper. Expenses.	$33,028,515	$33,815,382	$ 786,867	2.3

Mr. **Fraser**: May I ask just one general question? Take the item of traffic. It shows an increase of $54,917. Why is it that that item consistently shows an increase?

Sir **Henry Thornton**: You mean, generally speaking?

Mr. **Fraser**: Yes, an increase, as I understand it, in expenditure.

Sir **Henry Thornton**: Yes.

Mr. **Fraser**: Increased expenditure. Why is it that that one item has an increase in expenditures throughout the year in comparison with other items which are decreased? What does it mean? Generally speaking, I would like to know this—it may seem a silly question to you—what does the item mean?

Sir **Henry Thornton**: I will ask Mr. Fairweather. The question is asked what character of expenses is included in traffic expenditures. Can you answer that question?

Mr. **McLaren**: The classification of expenditures quoted under the caption of traffic is superintendence, outside agencies, advertising, radio, traffic associations, industrial bureaus, agriculture and natural resources, insurance, stationery and printing, and other expenses.

Sir **Henry Thornton**: That is the kind of thing that is included under what is generally known as traffic expenses.

Mr. **Fraser**: Let me ask you this, if I can clarify my question for you. Is the reason for the increase in that item because when a period of depression comes along you are unable to reduce your expenses in that connection?

Sir **Henry Thornton**: Partly that, and partly due to the fact that in a period of depression your solicitation—in other words, the effort to secure traffic becomes accentuated.

Mr. **Fraser**: You are working harder to try to get traffic?

Sir **Henry Thornton**: Trying to get more business, spending more money to try to get business.

Hon. Mr. **Euler**: By more advertising, that is what you mean?

Sir **Henry Thornton**: I have known, in years gone by, on American railways where traffic solicitation was very largely reduced, because the railways were unable to handle the business that was presented to them and there was therefore no incentive to go after it. They were suffering from car shortages and congestion of traffic; but the usual expression of depression in times of depression in so far as traffic expenses are concerned, is to increase expenses to try to get more traffic in order to make up for the loss.

Mr. **Hackett**: Is it not a fact, Sir Henry, in each succeeding year from 1923 on this amount has grown?

Sir **Henry Thornton**: Yes, I think probably that is true, but I would just ask—

Mr. **Hackett**: So, this increase is not entirely due to depression because they grew in the years of abundant prosperity.

Sir **Henry Thornton**: Well, now, Mr. Fairweather has some figures that will interest you in comparing our figures with other railways.

Hon. Mr. **Euler**: Is it not right here?

Sir **Henry Thornton**: Some of it is in there.

Mr. **Fairweather**: I have made an analysis of these items, traffic expenditures, in relation to what those traffic expenditures are supposed to be incurred for; that is, the obtaining of traffic, and I have expressed them in traffic units, the expenditures per thousand traffic units which would represent the measure of the freight and passenger business quoted.

Sir **Henry Thornton**: What do you mean by a "traffic unit"?

Mr. Fairweather: A traffic unit in this analysis consists of a revenue ton mile, and a passenger mile; that is, the combination of the two.

Sir Henry Thornton: A passenger mile and a revenue ton mile.

Mr. Fairweather: That is the traffic the railway handles. Now, I find that in the year 1929 the expenditures of the Canadian National per thousand traffic units was 35 cents on traffic account; the expenditures of the Canadian Pacific Railway was 55 cents; the Atchison, Topeka and Santa Fe was 31 cents; the Northern Pacific was 36 cents, and all class 1 roads of the United States 24 cents.

Hon. Mr. Euler: Is it not a fair statement to make that it is due to the fact that you are in a competitive business?

Sir Henry Thornton: Yes, that is true. It has to be remembered that the success of every railway enterprise as well as any other enterprise which has for its object the sale of a commodity to the public, depends upon how much of that commodity one can sell. If you happen to be a doctor or lawyer or manufacturing soap, or if you are running a railway, the success of the individual and the success of the enterprise depends upon how much business can be obtained. The officers of a railway company, for instance, are entitled to no particular credit for skill in moving a ton of freight from A to B; that is what they are supposed to do; but the real skill, the real genius of the whole operation, and the profit to the enterprise depends upon how much of your product you can sell, and the success and profit to the industry will follow that degree of successful salesmanship that the enterprise is able to exercise.

Mr. Hackett: How much was spent in this connection in 1922, or in 1923, if you cannot get 1922?

Sir Henry Thornton: It will unquestionably be less than we are spending now.

Mr. Hackett: I want to know how much.

Mr. McLaren: May I make this statement, which I think possibly will assist the situation. Our 1929 expenses include a credit of $188,000 that we have received for services performed by our traffic department for the Detroit & Toledo Shore Line Railway.

Mr. Hanbury: In connection with the eastern lines only?

Mr. McLaren: A portion of it, and that $188,000, of course, naturally, does not reflect itself again in 1930. The increase in the account is $215,000, and a return of $188,000 would practically leave an increase of $27,000, this is made up of an increase in cost of tariffs of $34,000.

Mr. Hackett: My recollection is the expenditures for this item since 1923—I am now speaking of the Canadian National system—has increased each succeeding year.

Sir Henry Thornton: There is no question about it.

Mr. Hackett: Have you more advertising, or what makes the increase?

Sir Henry Thornton: I would not say what it would be, without examining the figures. It is undoubtedly somewhat higher, and it was done deliberately. It was done for the purpose of—

Hon. Mr. Euler: You wanted to get more business?

Sir Henry Thornton: It was done for the purpose of establishing the railway in the minds of the people of the North American Continent who would use that railway and for the purpose of pursuing a much more aggressive policy than existed in years gone by. It all comes down to one thing; that the success of the railway depends upon its salesmanship and salesmanship involves not only good service, but involves all of the operations of the railway.

Mr. **Hanbury**: Good will.

Sir **Henry Thornton**: Certainly. People go to the store where they are treated the best, if they are going to buy goods, and our whole effort has been to advertise the Canadian National Railway; to create in the minds of our clientele on the North American continent the idea that the Canadian National can give them the very best service. As a matter of fact all of the operations of the railway are a factor in that particular, and are a function of it.

Mr. **Hanbury**: Would not that item of expense be a very small percentage of your total business?

Sir **Henry Thornton**: I think Mr. Fairweather can give you that percentage.

Mr. **Fairweather**: It amounted to only 35 cents per thousand traffic units, and the percentage on the total expenditure is very small, it amounts to 3·5 per cent on the total expenditure.

Sir **Henry Thornton**: In other words, 3·5 per cent was allocated to the securing of business. It is probably lower than it ought to be.

Mr. **Hanbury**: I quite agree with that. How would that compare, Sir Henry, with competing railways? Have you that information?

Mr. **Fairweather**: They are very comparable, as a matter of fact we are lower than a good many and we are somewhat higher than others; but on the average I think we are rather a little lower than the railways whose traffic problems are similar to ours.

Mr. **Hanbury**: I would suggest that the item should be further increased.

Mr. **Hackett**: Last year it amounted to over eight and a half million dollars?

Mr. **Fairweather**: What system are you speaking of?

Mr. **Hackett**: I am speaking of the Canadian National, that item of $7,712,000, and The Eastern Line item of $952,686.

Mr. **Fairweather**: That I think is correct. I have the figures.

Mr. **Hackett**: Now, if you can give it I would like the figure for 1923.

Mr. **Fairweather**: I have that figure.

Mr. **Hackett**: How much was that?

Mr. **Fairweather**: On a comparable basis, $5,953,000 for 1923. That is a comparable figure to the one you quoted, namely all inclusive system of the Canadian National Railways.

Hon Mr. **Euler**: Did your business relatively increase that much?

Mr. **Fairweather**: The total operating revenues were $265,000,000 in 1923 on the all inclusive system. However, they reached a volume of $312,000,000 in 1928. Now, it has receded, but naturally we would be foolish to reduce our traffic expenses in the face of a situation that demanded the very closest attention to traffic matters.

Mr. **Hanbury**: Increased competition?

Mr. **Fairweather**: The increase of revenue was from $265,000,000 to $312,000,000.

Mr. **Fraser**: How does it compare with 1930?

Mr. **Fairweather**: In 1930 the revenue figure was $251,000,000.

Mr. **Hackett**: Less than 1923.

Mr. **Fairweather**: It was somewhat less than 1923.

Sir **Henry Thornton**: What happens, of course, is in a time of depression business is sparse and competition grows hotter; that is, the process of competition always increases as business decreases. There are always renewed efforts put forth by our competitors to get more and more business.

Hon. Mr. EULER: You can hardly slacken your efforts in the face of that?

Sir HENRY THORNTON: You cannot slacken effort. The only comparable rule is how does traffic expenses of this railway compare with other railways which are presumably operated with intelligence.

Mr. MACMILLAN: How do they compare on a unit basis?

Mr. FAIRWEATHER: Well, sir, I gave the comparison on a unit basis.

The CHAIRMAN: Mr. MacMillan, your question was not heard very well: I would like you to repeat it.

Mr. MACMILLAN: I was asking for the comparison on the unit basis that Mr. Fairweather was speaking of, for the years 1923 and now.

Mr. FAIRWEATHER: Oh, I could give you that. In 1923 the per cent on our traffic was, of all expenditures, 2·4 per cent. In 1928, the year of our peak business the per cent was—I put this as the percentage of revenue, do you mind? it is really what it should be comparable to—it was 2·5 per cent again. Then, our traffic expenditures marched up with our revenue, proportionately, but, of course, in the period about which we are speaking, we increased our revenue by nearly 60 millions while we were increasing our traffic expenditures by about two millions.

Mr. CANTLEY: About the same ratio.

Mr. FAIRWEATHER: Yes. Now, in 1930 on the all inclusive system the per cent of revenue has gone up to 3·4 per cent.

Mr. HACKETT: The observation I wish to make and to put in the form of a question is this, the advisability of increasing expenditures in this item will depend, naturally, upon the character of the sum total of items which go to make it up. There are some of these expenditures which—are all these expenditures susceptible to increasing the business of the road?

Sir HENRY THORNTON: But that is not an easy question to answer, but I shall endeavour to do so, as well as I can. Broadly speaking, if the railway traffic department is operated with any intelligence the increased expenditure is supposed to be reflected in some improvement in revenues, or if not an improvement in revenue, at least in an effort to retain what revenues the railway already has. Now, that is exactly like the operation of any other industry. The individuals who are charged with the responsibility and with the policy of an institution or enterprise, particularly its sales policy, have to make up their minds from their knowledge and experience of the business what they ought to spend, having regard to the conditions that surround them. That is what officers are hired for. You hire an individual in an enterprise because of his knowledge and experience in the business; and he exercises that knowledge and experience in the determination of a policy which he thinks is essential to the welfare of the business. We have felt on the Canadian National Railway that we have probably not spent enough, and, in fact, if you take railways as a whole and compare them to other enterprises, other manufacturing institutions, they spend less on advertising, less on salesmanship than most large manufacturing enterprises, and speaking professionally, from the point of view of a railway officers, I think that the criticism that might be justly levelled against the railway industry of the North American continent is that their salesmanship has been insufficiently aggressive.

Mr. HANBURY: Hear, hear.

Sir HENRY THORNTON: As I tried to show at previous meetings of this committee, the Canadian National Railway, when I became connected with it, was generally unknown on the North American continent. I have had many people, travellers, people who control freight, ask me whether we controlled the Canadian Pacific or the Canadian Pacific controlled us. They could not discriminate between the two. We sometimes had people come into the office to buy tickets and make reservations for Banff and places of that sort. In other words, the Canadian National Railway eight or nine years ago was confronted with the problem of making the people of the North American continent, and I say the North American continent because a large amount of our passenger business as well as our freight business comes from the United States, our problem was the making known to the people, the clientele, that there was such a thing as the Canadian National Railways; that they had such and such to offer; that they had this and that kind of service to offer and we have not by any means completed that task.

Hon. Mr. **Euler**: Would not this meet it, Sir Henry, that if there was not competition of a very specific nature that that sum need not be expended?

Sir **Henry Thornton**: Well, there is a very severe competition, Mr. Euler, not only as between the two principal Canadian systems, but there is a competition between the railways of the United States and Canada.

Hon. Mr. **Euler**: It is a real thing.

Sir **Henry Thornton**: Undoubtedly. So your policy in respect to salesmanship has to be a matter of judgment, and our judgment has been—I say "ours" because the officers and myself are unanimous with respect to that—our policy has been a policy that is aggressive and progressive salesmanship, and everything that we do on the railway, whether the individual is connected with the traffic department or not, everything that he does finds its source, its utilitarian source in how much traffic can he assist and bring in to the railway.

Hon. Mr. **Euler**: It is hard to get that traffic because others are after it?

Sir **Henry Thornton**: Certainly, as a matter of fact by the time you get a passenger or a ton of traffic it is covered with blood from fighting for it.

Hon. Mr. **Euler**: If you do not fight for it—

Sir **Henry Thornton**: You do not get it.

The **Chairman**: Are there any more questions, Mr. Hackett, in regard to this matter?

Mr. **Hackett**: No.

The **Chairman**: You may go ahead.

Mr. **Stewart**: Before we close I should like to make one observation in regard to a statement made in here, about the C.P.R. and taxation. I hold no brief for the C.P.R., but the C.P.R. are paying more taxes to the city of Lethbridge than any other three corporations, and it leaves an erroneous idea about the C.P.R. and taxation in Western Canada and for that reason I desire to correct the impression. To quote Dr. O. D. Skelton:—"The terms were princely for constructing some 1,900 miles of railway the syndicate were to be given free and complete the 710 miles under construction by the government, $25,000,000 in cash and 25,000,000 acres of selected land in the fertile belt. They were promised exemption from taxes on land for 20 years after the patents were issued and on stock and other property for ever, and exemption from regulation of rates until 10 per cent had been earned per annum on the capital. Assurance was also given that no competitive road would be chartered for 20 years. Now, insofar as the province of Alberta and the western provinces are concerned, the only thing that is exempt from taxation is the main line of the C.P.R. All branch lines pay taxes and their other properties pay taxes, and, as I said before, the people who pay the most taxes in the city of Lethbridge is the C.P.R.

Hon. Mr. EULER: I do not see that the item is incorrect.

Mr. STEWART: No, but it leaves a wrong idea. It says, "They were promised exemption from taxes on land for 20 years after the patents were issued and on stock and other property for ever."

Hon. Mr. EULER: Is that not true?

Mr. STEWART: No. It only applies to the main line of the C.P.R. Now, the Crow's Nest runs through the southern part of Alberta. On that line they pay taxes; they pay taxes on the Calgary and Edmonton line, and they pay taxes on other branch lines; consequently it leaves the wrong impression.

Hon. Mr. EULER: This was taken from a very reliable source.

The CHAIRMAN: My recollection of the C.P.R., in a general way, is this: they have lots of mileage, and they are paying more taxes to the different governments and municipalities than the Canadian National Railways is to-day.

Sir HENRY THORNTON: I think that is true.

Mr. HEAPS: They may be exempt from taxation in a general way, and they may pay very heavy local improvement taxes. I have some little experience in the matter. They are compelled to pay local improvement charges, and the result is where they have more buildings they have to pay the local improvement taxes, and that would account for the heavier rate of taxation as against probably the C.N.R.

Sir HENRY THORNTON: I think, also, I am right in saying this, that the Canadian Pacific Railway pays a substantial income tax, and they they accepted the burden voluntarily. Now, in this taxation discussion, I do not want anyone here, or the public, to draw the conclusion that I am in any way drawing any invidious comparison with the Canadian Pacific Railway in the matter of taxes. I have simply answered the questions that have been put, and certainly I have no intention in any way to criticize or draw any unfair comparison with respect to the taxes paid by the Canadian Pacific Railway. I can say ordinarily, nine times out of ten, anybody who can get out of paying taxes is to be commended, and most people do it.

The CHAIRMAN: I was just going to ask the members of the committee if it would be possible for us to have a meeting this afternoon to get through some of this work.

Hon. Mr. EULER: Hear, hear.

The CHAIRMAN: We can meet for a while at four o'clock and get rid of some of this so we can get upon the budget early next week.

Mr. HACKETT: There is a slight correction to be made at page 56. Perhaps it would be well to take it up at four o'clock.

Whereupon the meeting adjourned until four o'clock p.m.

On resuming at 4 P.M.

The CHAIRMAN: We will call the meeting to order.

Sir HENRY THORNTON: Col. Cantley, Mr. Chairman, asked a question this morning to which we have the answer now, in addition to the stations closed in 1930, which was handed in to the official reporter—how many stations on the Canadian National have been closed in 1931. The answer is fifteen. The stations are as follows: Berry Mills, N.B.; Red Pine, N.B.; Strathlorne, N.S.; Meadowville, N.S.; Ingramport, N.S.; Millstream, Que.; Holland Landing, Ont.; Longwood, Ont.; Mulvihill, Man.; Juanita, Sask.; Bayard, Sask.; Condie, Sask.; Lyalta, Alta.; Stanmore, Alta.; Scollard, Alta.

Col. CANTLEY: Thank you.

Mr. HANSON: Have you not closed some on the Moncton-St. John subdivision?

Sir HENRY THORNTON: Well, those are the only stations that were closed in the last two years.

Mr. HEAPS: This morning I raised a question about the taxation paid by the different companies, and it was claimed, I think, by Mr. Hackett that the Canadian Pacific were paying far more taxes in the West than the Canadian National. I have here rather an interesting comparison Mr. Chairman. It is the city of Winnipeg municipal Manual and it shows that in the city of Winnipeg alone the Canadian National have a tax exemption there on the property which they own within the city limits of $5.720,000. It also shows that the C.P.R. have got a tax exemption there of $8,269,000.

What I want to point out, first, is the fact that the more exemption the railway company has the more likely it is that that railway will pay more in the way of taxes, because the more property they have there the more there will be in the form of local improvements which will make it necessary for those railways to pay within the boundaries of those municipalities. I do not think that any comparison that we might be able to make here in connection with the amount paid by one railway as against the other can really give any idea. Would it not be of much more value to ask here if we could have some itemized account showing how the taxes are made up. What is true of the city of Winnipeg, I have no doubt, is true of every one of the large centres in the Dominion, where doubtless they receive more in the way of exemptions.

Mr. HANSON: I think you pay taxes enough, Sir Henry.

Sir HENRY THORNTON: I think that is a doctrine to which everyone would subscribe.

The CHAIRMAN: Is that all that you want on the record regarding taxation?

Sir HENRY THORNTON: I just want to say that the Canadian National has voluntarily accepted a very considerable tax.

Mr. HANSON: You have indeed in the Maritimes.

Mr. FAIRWEATHER: A further division to indicate the split between Labour and Materials follows:

Employees' Compensation	1930	1929	Decrease
Maintenance of Way and Structures..	$ 4,306,313	$ 4,400,884	$ 94,571
Maintenance of Equipment...........	3,402,951	3,497,881	94,930
Traffic	415,006	417,232	2,227
Transportation	10,661,812	10,807,684	145,872
Miscellaneous	221,325	238,643	17,318
General	797,221	678,847	118,374*
Total	$19,804,627	$20,041,171	$ 236,644

*Increase.

Materials and Miscellaneous	1930	1929	Decrease
Maintenance of Way and Structures....	$3,793,778	$3,807,451	$ 13,673
Maintenance of Equipment.............	2,768,033	3,077,801	309,768
Traffic	537,681	480,537	57,144*
Transportation	5,214,541	5,582,923	368,382
Miscellaneous	178,740	192,835	14,095
General	803,717	705,328	98,389*
Transportation for Investment—Credit	72,602	72,664	62
Total	$13,223.888	$13,774,211	$ 550,323

*Increase.

TAXES, MISCELLANEOUS OPERATIONS, NON-OPERATING INCOME AND DEDUCTIONS FROM GROSS INCOME

The only items which show any considerable variation from last year are:—

Interest on Funded Debt	$149,640	(Inc.)
Interest on Unfunded Debt	511,404	(Inc.)

Interest on Funded Debt in the hands of the Public was $394,699 in 1930, compared with $245,059 in 1929, or an increase of $149,640, due to interest on Bonds of the St. John & Quebec Railway being included in 1929 from September only and in 1930 for a full year.

Hon. Mr. Euler: What do you mean by interest on Unfunded Debt?

Mr. Fairweather: That will follow.

The increase in interest on Unfunded Debt is due to interest on the purchase price of the Quebec Oriental, the Atlantic, Quebec & Western, the St. John & Quebec and the Inverness Railways, also to additional capital expenditures.

That concludes the analysis of the income account of the Canadian National and of the Eastern lines.

Mr. Hanson: This interest on Unfunded Debt will be a recurring item so far as certain of these matters are concerned. You have assumed the bonded indebtedness of the St. John Quebec railway for a period, up to a certain limitation, but should not that fall off quite rapidly, that $511,000.

Mr. McLaren: The accounts for 1929 include interest for the Gaspe railways as from June 1st, 1929, and the 1930 accounts include it for the entire year, and likewise for the Inverness, and the St. John and Quebec at varying dates.

Mr. Hanson: I understand that, but you will have paid for the Quebec and Oriental, we will say, and that will go into your Funded Debt ultimately. The St. John and Quebec is on a little different basis because you have assumed obligations that are outstanding.

Hon. Mr. Manion: It would not go into the Funded Debt until the bonds fall due.

Mr. Hanson: They will be carried in the Funded Debt.

Mr. McLaren: It would be in the Funded Debt.

Hon. Mr. Euler: But they are all guaranteed by the government. They are simply taken over by a private company.

Mr. McLaren: They are taken over by the Canadian National.

Hon. Mr. Euler: But they are guaranteed.

Mr. Hanson: The St. John and Quebec is guaranteed by the government.

Mr. Grant: Guaranteed Bonds have and will be issued in payment of part of the purchase price which is payable over a period of years. The balance of the purchase price represents Bonds in the hands of the public, the liability for which we assume.

Hon Mr. Manion: How would it be Unfunded Debt then if the bonds were issued in place of them?

Mr. McLaren: That will remain constant as far as the capital expenditures prior to July 1, 1927, are concerned.

Mr. Hanson: On what?

Mr. McLaren: On the Halifax and Southwestern.

Mr. Hanson: Those bonds are guaranteed by the province of Nova Scotia.

Mr. McLaren: The Halifax and Southwestern.

Sir Henry Thornton; I do not think so, Mr. Hanson.

Mr. HANSON: Then I do not understand this item at all.

Mr. GRANT: I have not the information here.

SIR HENRY THORNTON: Mr. Cooper, I think, will be able to explain it.

Mr. COOPER: The reason it appears in the Unfunded Debt interest account is that in the year 1930 we repaid $1,000,000 of the indebtedness to the province, that is, the Canadian National Railway paid that much debt off, so that the Eastern Lines are now indebted to the Canadian National for that mount and will be charged interest on it, and so far as the Eastern Lines are concerned it is interest on Unfunded Debt.

Hon. Mr. EULER: Are they segregated in that way? I thought they were all issued on account of the Canadian National as one institution.

Mr. COOPER: First of all, we assumed the indebtedness of the St. John and Quebec railway. That was assumed by the Canadian National Railway Company and it is in the Funded Debt of the Canadian National. The $1,000,000 repayment was made out of Canadian National bond issues, and the interest on such bonds is interest on the Funded Debt of the Canadian National.

Mr. HANSON: That is quite clear.

Mr. COOPER: But it is not correct to have the Canadian National assume all that expense. It applies to that part of the Canadian National known as the Eastern lines, so the Canadian National charge the Eastern lines with an equivalent amount of interest, and, so far as Eastern lines account are concerned it is interest on Unfunded Debt. It is interest on Funded Debt to the Canadian National, but it is interest on Unfunded Debt as far as Eastern lines is concerned.

Mr. HANSON: It is an interdepartmental account.

Mr. COOPER: No, not an interdepartmental account. It is between the Eastern lines and the Canadian National.

SIR HENRY THORNTON: It will be really inter-corporate accounts.

Mr. COOPER: Inter-corporate is a better word, yes.

Mr. STEWART: I would like to ask one question. This is a very fine statement in regard to the hotels. They have reduced their loss by $964,000. That is on page 12. Now, the loss for the year was only $126,000, and the year before it had been over a million dollars. Do you allow for interest on the capitalization and depreciation?

Sir HENRY THORNTON: No.

Mr. STEWART: It is a very creditable statement, that part of it anyway.

Hon. Mr. MANION: That is an operating deficit, is it not, Sir Henry?

Sir HENRY THORNTON: Yes.

Mr. HANSON: Is there any possible chance that that can be balanced, that operating account?

Sir HENRY THORNTON: Can the hotels be made to pay a profit in themselves?

Mr. HANSON: On operation irrespective of capital.

Sir HENRY THORNTON: Well, that depends a good deal upon the general business situation on the north American continent, the amount of tourist traffic, and it also depends upon the progressive increase in the population of Canada. I should say that sometime—and I won't make any prediction when—but I should say that sometime when this country becomes more thickly populated than it is to-day, when there is more travel within the country and when business returns to something like its normal condition undoubtedly the hotels will show an operating profit. I do not suppose that many hotels to-day are probably profitable.

Mr. McGibbon: Sir Henry, is it not unsound to invest between $20,000,000 and $30,000,000 in a business that cannot and is not paying.

Sir Henry Thornton: Well, the total investment of the Canadian National Railway Company in hotels is, I think, $20,000,000 at the present moment.

Mr. McLean: $22,174,701.76 for Hotels in Operation.

Mr. McGibbon: And every one of them are in red ink.

Sir Henry Thornton: All except the Chateau Laurier, I think.

Mr. McGibbon: The Chateau Laurier is in the red.

Sir Henry Thornton: The McDonald Hotel, the Grand Beach Hotel,—but that raises the whole question—

Mr. McGibbon: The Chateau Laurier is losing $1,000 a day.

Sir Henry Thornton: No.

Mr. McGibbon: Yes.

Sir Henry Thornton: The Chateau Laurier last year earned $55,608 net.

Mr. McGibbon: Yes, but it lost $1,000 a day. You gave me that yourself.

Sir Henry Thornton: Oh, including the interest on the investment.

Mr. Hanson: We are only talking about operation after all.

Mr. Stewart: I was greatly taken with the statement and I wanted information about it.

Sir Henry Thornton: Whatever the loss may have been, Dr. McGibbon raises the old question of hotel policy, and at a previous meeting I endeavoured to point out that next to the export of agriculture, or products of agriculture the largest single business in Canada was the tourist business which amounted to at least $300,000,000 a year. And I also endeavoured to point out that the volume of that tourist business and its progressive increase is due to the combined efforts of a number of different activities in Canada to make Canada an attractive place for tourists to come to.

The Canadian Pacific maintain a large number of hotels, so do we. There are various fishing camps; there are golf courses; there are a number of what one would describe as allurements which appeal to the tourist; a large number of summer hotels such as Bigwin in Ontario. Now, all of those things contribute to the tourist business of Canada. And so far as the success is concerned that $300,000,000 is a net profit because it all stays in the country. We maintain hotels largely because they are essential for encouraging traffic on the railway and because of the contribution which they make to the tourist business.

As far as the railway is concerned we would be very glad to get rid of our hotels. We would be very glad not to have to operate hotels if we thought we could do so without damage to our interest and without affecting the welfare of the country as a whole.

Hon. Mr. Euler: Would you say this, that counting the cost of maintaining these hotels and including interest on the capital expenditures that that loss is compensated for by the increased traffic that the railway gets?

Sir Henry Thornton: Well, that is a difficult question to answer accurately, Mr. Euler. I should say that certainly the advantages which the hotel systems of the Canadian Pacific and the Canadian National offer to the travelling public attract a very large amount of travel to Canada.

Mr. McGibbon: Is it not a fact that the big bulk of the tourist business comes in by automobile?

Sir Henry Thornton: Oh, no. For instance we had last year 15,000 people who travelled in special parties and were booked by our New York ticket office that came to Canada. Some of them went as far West as the Pacific Coast, and last year we had the Sun Life convention of, I think, several hundred people at Jasper Park. They travelled by special train.

Mr. McGibbon: Is it fair to assume they would not have come unless you had this accommodation?

Sir Henry Thornton: Certainly they would not have come. They would not have had any place to go to.

Mr. McGibbon: This year the Sun Life, I believe, go way down to Vermont. Other years they went to Banff. I do not think it is fair to say that the hotels are attracting them and 15,000 people is a bagatelle. Why, we have 100,000 tourists in Muskoka alone.

Sir Henry Thornton: Well now, those 15,000 people unquestionably spent $50 a head in Canada. It might easily have been twice that. The chances are that they probably did leave $100 a piece behind them in Canada in addition to the transportation charge. Now, there were 15,000 people. Multiply that by $100 a head. That is only one item and that is a very small proportion of the number of people that we carry.

Mr. McGibbon: We have Bigwin Inn in my riding. It is true it attracts a lot of people, but there are other private hotels that take in, in the aggregate ten times more.

Sir Henry Thornton: I am glad to hear it, and I hope that will continue.

Mr. McGibbon: They do not all go to big high-priced hotels. They cannot afford it and they do not go to them.

Sir Henry Thornton: Well now, take Jasper Park for example. Curiously enough notwithstanding the depressed condition of business last year the takings at the hotel at Jasper were $6,000 more than they were the year before.

Mr. McGibbon: Yes, but Jasper Park lost a lot of money.

Sir Henry Thornton: Jasper Park cost $2,500,000.

Mr. McGibbon: I say it lost a lot of money.

Sir Henry Thornton: No it did not.

Mr. McGibbon: It lost you money last year.

Sir Henry Thornton: No it did not.

Mr. McGibbon: Then the return that you gave me is wrong.

Sir Henry Thornton: No. Last year the loss in hotel operation at Jasper Park—

Mr. McGibbon: Yes, but you are only talking about operation. I am saying that the whole enterprise has lost money.

Sir Henry Thornton: I am afraid I cannot continue to make statements, Doctor, unless you allow me to finish them. I said that the loss at Jasper Park last year was $47,766; but that was much more than compensated for by the rail traffic which accrued to the railway and which we would not have had had it not been for Jasper Park. And if you take Jasper Park, the construction of Jasper Park in conjunction with the railway, since it was constructed you will find that in the eight years that that resort has been in existence it has earned net an amount to the railway company which equals its entire capital investment and $800,000 in addition, and I say, that Jasper Park is one of the most profitable undertakings that we have, and I do not know of any institution, any hotel which contributes so much to its proprietor as Jasper Park, and the amount invested considering the facilities offered is exceedingly small, something like two and one-half million dollars.

Mr. McGibbon: I will grant you that Jasper Park stands in a class by itself. You have no competition.

Sir Henry Thornton: None whatever. There are, of course, other resorts in the West.

Mr. McGIBBON: But that is different, for instance, to the cities in the East. You see my point?

Sir HENRY THORNTON: Oh yes, I see your point, quite.

Hon. Mr. EULER: Does each hotel have to carry its share of the advertising cost?

Sir HENRY THORNTON: No, that is carried in the expense for general advertising.

Mr. HANSON: Sir Henry, with reference we will say to the Chateau Laurier, everybody recognizes the Chateau is one of the best, if not the best hotel on the continent. That is saying a great deal, but that is my judgment anyway. In these days of hard times would it not be well if the head of your hotel department would look into the operation of the Chateau with a view to effecting an economy. I grant you that it is a mighty fine hotel but it does seem to me that it is overstaffed. The cost there must be colossal.

Sir HENRY THORNTON: Well now, as a matter of fact, there is an audit and an examination being made to-day by an expert of the whole of our hotel system. About the first of the year I became rather anxious about the efficiency of our hotel operations, and we wanted to find out from the point of view of efficiency whether these hotels were being properly and economically conducted, and there is a very searching audit and examination being made of the whole of our hotel operations. That is practically finished. I expect to have the report within three or four days.

I will say this, however, in answer to that question: In just an informal discussion with the auditor he told me they had finished the examination of the Chateau Laurier, and that having regard for the character of service which it seemed necessary to maintain, the hotel is operated with efficiency.

Mr. HANSON: I have no doubt about the efficiency. What I am driving at is the cost of that efficiency.

Hon. Mr. EULER: Could you have that same efficiency with a lesser staff?

Sir HENRY THORNTON: That is exactly the thing we have been trying to find out. I am not an expert hotel manager but I am responsible for the operation, as head of the company, of these hotels, and we have taken the necessary steps to try to find out.

Mr. HANSON: Mr. Hanbury suggests that there is a differentiation between service and efficiency. I am rather inclined to agree with that. I do not suggest that there is not good service, but I do suggest that that good service is maintained at a very high operating cost.

Sir HENRY THORNTON: Well, I think you have got to look at it this way, Mr. Hanson. You have got to decide what kind of service you are going to have. It may be what is generally described as a first-class service or a second class service or a third-class service. The main point is that we have got to say to ourselves: Now what kind of a service must we have at the Chateau Laurier? We may decide it will be first-class. We may decide to operate second-class and after that is decided we have got to say to ourselves and try to find out is that class of service efficient in so far as its status is concerned.

Mr. HEAPS: Is there any prospect, Sir Henry, of the deficits being reduced say in the coming year?

Sir HENRY THORNTON: I should think that there would be some reduction although it will be very difficult to answer that question Yes or No. I do not think it will be any more than last year, and I think it has a good chance of being less. For instance, our takings at Jasper this summer promised to be as good as last year.

Hon. Mr. EULER: You made the very gratifying and to me very surprising statement that with regard to Jasper Park hotel, and taking into consideration the fact you have got a great deal of traffic because you have got the hotel there that its capital expenditure and all has been paid for and you have something like $800,000 to the good.

Sir HENRY THORNTON: I made that statement.

Hon. Mr. EULER: Could you make a similar statement with regard to some of your other hotels or lodges or summer camps, whatever you may want to call them?

Sir HENRY THORNTON: I think we could with respect to Minaki and maybe one or two others such as Nipigon Lodge; but with respect to most of the others, in fact all the others, there are a large number of people who come to those hotels in automobiles.

Hon. Mr. EULER: You have another one down in Nova Scotia.

Sir HENRY THORNTON: For instance, take the case of Minaki or the case of Jasper Park, they have got to go there by rail because there is no other way to get to those places. But when you come to places like the Chateau Laurier it is quite a different proposition.

The CHAIRMAN: A few days ago when we were discussing this matter, Sir Henry made a statement to the effect, or rather he gave us figures of hotel cost of, if my recollection is right, about $16,000,000. To-day a statement is made increasing that amount to $22,000,000. I just want to get the figures right. What I would like to know now is what the present investment is and when all are completed what the ultimate investment is to be in hotels that are being constructed or under way.

Sir HENRY THORNTON: I do not know whether I gave a wrong impression to the committee, but my statement was that since January 1, 1923, we had spent $16,000,000 on hotels. I think that is where the misunderstanding came in.

Mr. HANSON: That is correct.

Sir HENRY THORNTON: The total investment "Hotels in Operation" at the moment is $22,000,000.

The CHAIRMAN: What I want to know in addition to that is what commitments are we under now, that when those hotels are completed what is it going to amount to, so that we will know what to expect in the future.

Sir HENRY THORNTON: May I take a note of that, Mr. Chairman, and answer it at one of the next meetings.

Mr. MCGIBBON: Might I ask this question, only for information. What is the ratio of profit in the Chateau Laurier compared with what it was before enlargement?

Sir HENRY THORNTON: I can get that for you but I do not think I could give it offhand.

Mr. HANSON: Of course, the cost of the addition was colossal compared with the authorization by Parliament.

Sir HENRY THORNTON: There was a material over-run.

Mr. HANSON: It was double. I remember at the time we did not oppose that capital expenditure. It was submitted to Parliament by Mr. Dunning when we were told and assured that it woud not exceed $3,500,000.

Hon. Mr. EULER: $4,000,000 was asked for.

Mr. HANSON: $3,500,000 is my recollection, but you may be right.

Sir HENRY THORNTON: You are quite correct in that statement.

Mr. Hanbury: In connection with the capital investment for the construction of hotels, the Minister of Railways, speaking in the House yesterday, gave the impression that the previous administration had inflicted on you a program of gross extravagance, and connected with that statement the construction or the large cost of the construction of the hotel in Vancouver. Now, my impression is that the hotel in Vancouver is being constructed by the Canadian National at a great saving to the company, and I would like very much if you could give information to the committee in that connection.

Sir Henry Thornton: Well, that situation demands some information. When MacKenzie and Mann built into Vancouver—and I think the subsidiary company was called the Canadian Notrthern Pacific Company—they entered into an agreement with the city of Vancouver and, as a result of that agreement, accepted a number of very onerous responsibilities which involved large financial outlay.

Speaking from memory, I think they agreed to electrify; they agreed to build a certain number of ships for Pacific services. When I say Pacific services I do not mean coastal services. I mean services to the Orient. They agreed to build a hotel of a certain size.

Mr. Hanson: What was that particular commitment, a certain size?

Sir Henry Thornton: Do you remember, Mr. Hungerford., what it was? I think it was an hotel with roughly about 300 rooms.

The Chairman: The price was stated at about $3,500,000.

Sir Henry Thornton: I think it was like 300 rooms. In short, an examination of that contract will reveal that there was practically everything in it that could be thought of. Amongst other things it also involved an extensive program on False Creek, and a large amount of filling.

Well, the city of Vancouver called upon us for the fulfilment of that obligation. The contract was submitted to the law officers of the company and the opinion was given that it was an enforceable contract. In fact, it was about the most comprehensive contract that I think I have ever seen. I do not know of anything that was omitted. After long negotiations with the city, I think extending over a period of two or three years the city finally agreed to cancel the contract and relieve the company of its obligations thereunder providing we would build an hotel of I think it was 500 rooms, and that was one of the reasons, although not the only reason that that hotel was embarked upon. There was also some difficulty in connection with the hotel situation in Vancouver because the only hotel in the city of importance and of attraction to tourists was the Hotel Vancouver owned by the Canadian Pacific, and quite naturally and justifiably that implement was used effectively by the Canadian Pacific for the purpose of attracting traffic to their line. And that, briefly, is the story of the Vancouver Hotel.

Hon. Mr. Manion: Yes, as far as it goes. I just want to answer Mr. Hanbury's remark. I happened to be speaking with the Deputy at the time that he made it and did not hear just what he said until my attention was drawn to it. Mr. Hanbury said I spoke of the extravagance, I think, of this hotel, or something to that effect, did he not?

Mr. Hanbury: No. I was referring to the general extravagance which you say the previous administration inflicted upon the management of the railway company and coupled the hotel with it.

Hon. Mr. Manion: All right. I did not use the word "extravagance" I said "unnecessary capital expense." But it does not matter particularly. However, I would like to tell the story from where Sir Henry left off. I do not want to be misquoted and I want to make this statement because I have to leave. It is perfectly correct what Sir Henry has said and I think they made a very fine bargain with the city of Vancouver. But the bargain was not the bargain incorporated in the Order in Council in 1926 by the so-called Shadow Government, to build an hotel, I think, of 500 rooms to cost three and one-half million dollars. And I went on to say that between 1926 and now the cost of that hotel, the proposed cost—and there is no question about it officially—is $9,000,000 or a little more. So it had gone up from $3,500,000 to $9,000,000, and that is what I was speaking of as unnecessary capital expenditure. As I say, I cannot stay very long this afternoon, and I want to make sure that I am quoted properly. I went on to say this about the hotel. I said that a certain newspaper in Toronto had made the statement recently that the building of these hotels was indirectly bringing business to the National Railways which made up for whatever capital losses there might be. I wondered if it was true, and I had my deputy investigate with the officers of the railway, and he gave me the figures which I read in the House and put those figures on record—and as I say I do not want to be misquoted to-day in my absence—I said then that the figures show that the combined passenger earnings had shown a loss in 1926 of something over $4,000,000 in round figures, a complete loss of passenger earnings in 1926 of $4,000,000 and that in 1930 the same passenger earnings showed a complete loss of over $20,000,000, or nearly five times as much. So that I went on to draw the conclusion that these heavy capital expenditures for those various hotels were not justifying themselves in returns to the passenger service of the railway.

Mr. Heaps: Is that a fair comparison, to take 1930?

Hon. Dr. Manion: I did not take any particular year.

Mr. Heaps: You take it year by year.

Hon. Dr. Manion: All right, I can give them year by year.

Mr. Hanbury: Is it not fair to suggest if it had not been for this hotel the passenger revenue would have been further decreased?

Hon. Dr. Manion: It seems to be getting worse every year, anyway. In reply to Mr. Heaps, I am going to quote from information I obtained yesterday. In the year 1926 the loss was $4,000,000; in 1927, the loss was more; in 1928 more still; in 1929 more still; and worst of all in 1930. I agree with Sir Henry that this year the losses, generally, have been a little less. However, these are the facts given to me, as explained here this morning because of changes in the Chateau Laurier last year, and if they are wrong, it is because the officers gave me the wrong statement.

Hon. Mr. Euler: May I ask this: the statement has been made by Sir Henry, and corroborated by the Minister, that there was an agreement that we should build a hotel of 500 rooms, for which the shadow government, as my hon. friend called it himself appropriated three and a half million dollars. I would like to know whether, in view of the fact that you built the hotel at least partly in order to compete with another first class hotel, and that you had to build necessarily also a first class hotel, you could build a hotel of that kind with 500 rooms and first class in every way for the sum of three and a half million dollars.

Hon. Dr. Manion: I made the statement, and may I answer that and Sir Henry can give his information after. I have the offer before me, and it was agreed upon by order in council at the end of 1926 that the hotel agreed upon to be built in the city of Vancouver in return for any demands that the city of Vancouver had upon the government, and that they were to build the hotel at a cost of three and a half million dollars.

Mr. Hanbury: How much?

Hon. Dr. Manion: I said a moment ago the hotel was to cost three and a half million dollars.

Hon. Mr. **Euler**: Five hundred rooms?

Hon. Dr. **Manion**: I do not know for sure the number of rooms; I do not care about the number of rooms. Here is what the hotel should cost. These figures were given by the officers at that time and incorporated in the order in council; that the hotel was to cost three and a half million dollars and that it was to satisfy the Vancouver claims. The hotel is now going to cost very much more. I have the figures right here. The hotel has cost $2,980,000 to the end of last year, and they still have $5,991,000 and some odd to spend on it, which altogether makes just about nine million dollars.

Hon. Mr. **Euler**: I would like to ask a question, if I may, as to whether it was possible, with conditions as they are, to build a first class hotel that would compete with other hotels there, a hotel with 500 rooms for the sum that was agreed upon, and if it was, why the other sum was used?

Sir **Henry Thornton**: Shall I answer that, Doctor?

Hon. Dr. **Manion**: Go ahead, Sir Henry.

Sir **Henry Thornton**: I should say no. To begin with, the cost of construction went up in 1928, probably maintained itself in 1929. Whether we shall have to spend the total estimated amount to build that hotel of the class and character we have in mind depends a good deal upon the cost of construction. But our feeling was that in such a city as Vancouver which is the principal port in Canada in point of tonnage on the Pacific coast, and at the time this hotel was projected, feeling that the country was going to advance in prosperity and the city of Vancouver would get its share of that prosperity, our opinion—when I say "our" I mean the officers of the company and myself who are charged with the responsibility for such things—felt that we would be unwise if we built in Vancouver a hotel which in two or three years would be only a second class hotel, and would be so regarded and would do a second class business. Now, that is a matter of business judgment, that is all.

Mr. **Hanson**: I would like to ask this: the proposal in 1926 was in the form of a new contract with the city of Vancouver. Undoubtedly the commitments that were made were in compliance with that. Was that proposal satisfactory at that time to the officers of the Canadian National Railways? Did they agree with the proposal and were they parties to the arrangement? I presume there were three parties to it: the government, the railway and city.

Sir **Henry Thornton**: That is the situation as it now stands and is represented by the present contract with the city of Vancouver. It was the result of negotiations which the officers of the company carried on with the city, and that is the arrangement as completed. It finds its expression in the form of a contract which was approved by the board of directors of the Canadian National Railway, and of course carried with it the approval of the proprietors.

Mr. **Hanson**: That is the answer. That arrangement has been departed from. I understand you have changed the site of the hotel?

Sir **Henry Thornton**: No, I do not think so.

Mr. **Hanson**: My understanding of that is the $3,500,000 hotel was to be built on a particular site—if I am wrong I would like to be corrected—that the situation was abandoned and a new site bought in the heart of the city of Vancouver approximately near the Vancouver hotel; that subsequently it was found that the site was not large enough and that you had to buy additional land at a tremendous increase in cost and that is one of the factors entering into the $9,000,000. I do not think I am very far wrong.

Sir **Henry Thornton**: As I recall the situation there, the original contract, as Mr. Hanson says, had a specific consideration of three and a half million dollars on a site, which as I recall it, was somewhere near the present passenger station. At any rate—

Mr. HANBURY: At a place altogether unsuited.

SIR HENRY THORNTON: At a place totally unsuited for a hotel, and I would not have spent five cents on a hotel in that location because it would have been money thrown away.

Mr. HEAPS: How far is the present C.N.R. station in Vancouver from the site of the building?

Mr. HANBURY: Approximately two miles.

SIR HENRY THORNTON: Yes, I should say that was right. The site that has been selected, and has been bought for the Vancouver hotel, is just two blocks from the present Vancouver hotel of the Canadian Pacific. Now, the purchase price was $793,000. That represents——

Mr. HANSON: The site.

SIR HENRY THORNTON: The site. It represents 73,000 square feet and the price was $10.86 per square foot.

Mr. HANBURY: In the heart of the city of Vancouver.

SIR HENRY THORNTON: Of course, right in the heart of the city, as I said a moment ago, and only two blocks from the present site of the Vancouver hotel of the Canadian Pacific, which is, I should think, one of the most expensive sites than can be found in Vancouver that is in the very heart of the city.

Mr. HANBURY: A better site than the Canadian Pacific hotel.

SIR HENRY THORNTON: Well, it is fully—it is certainly as good, I should think. One would be within the bounds of truth to say it is as good.

Mr. HANBURY: From the standpoint of taxation, it is a better site.

Sir HENRY THORNTON: You should know better about that than I.

The CHAIRMAN: Why?

SIR HENRY THORNTON: He lives there.

Mr. HANBURY: Is it not a fact that had there been no contract with the city of Vancouver of any kind whatever——

SIR HENRY THORNTON: What is that?

Mr. HANBURY: Had there not been a contract with the city of Vancouver dealing with the hotel, it still would have been in the interests of the railway company to construct a hotel in Vancouver.

Mr. HANSON: It is a question of opinion.

SIR HENRY THORNTON: Mr. Hanson says it is a question of opinion; probably it would have been. On the other hand, for instance, we have been urged to build a hotel in the city of Quebec in competition with the Chateau Frontenac; it has been suggested we ought to build a hotel in Victoria in competition with the Empress Hotel, and I have heard of suggestions also——

Mr. HANSON: And even put one in the city of Fredericton?

SIR HENRY THORNTON: I have heard that suggestion also. Now perhaps from one point of view hotels at all those places might be regarded as in the interests of the company. But the real reason, the principal reason for the construction of this hotel at Vancouver was to escape from the exceedingly onerous contract, although the fact that it also gave us an important traffic implement was by no means disregarded.

Hon. Mr. EULER: Does it not come down to this, you were obliged to build a hotel and decided in your wisdom that this was the type of hotel you ought to build, and that is why it cost——

SIR HENRY THORNTON: That is practically what it came down to, Mr. Euler. Some may say it was wisdom, others may say it was stupidity, but there it is.

Mr. FRASER: Is there any added accommodation to the hotel on account of the increase in the price; is it still a 500 room hotel?

SIR HENRY THORNTON: Yes—well, it has 19 stories with 595 bedrooms. My recollection is that we also have some kind of arrangement, I will not be sure about this, that we can add further stories in the future, if necessary.

Mr. HANBURY: A certain portion only, I think.

SIR HENRY THORNTON: Some arrangement of that sort.

Mr. HANBURY: Yes.

Mr. KENNEDY: Is co-operation between the railways working out all right in northern Alberta?

SIR HENRY THORNTON: The answer to that question is the arrangement between the railways in northern Alberta, the Canadian Pacific and ourselves has, I think been eminently satisfactory to both companies, and both companies are working in complete amiability and accord.

Mr. KENNEDY: Do you think it would be a good thing to apply to all of Canada?

Sir HENRY THORNTON: That is a question which I think ought to be left to those who come to that conclusion.

Mr. HANSON: Returning for a moment to the Vancouver situation. It is well known, of course, and I think it ought to be plain here that in return for the undertakings of the Canadian Northern people, the city of Vancouver had given very substantial grants of land and other things. It was not a one sided contract.

Sir HENRY THORNTON: I think honestly for myself, if you ask me, whether the bargain was a good one, the bargain which Mackenzie and Mann negotiated was a good one or not, I should have doubts about the wisdom of the contract.

Mr. HANSON: Just what did they really give, and what did you give, because it must be a mutual contract?

Sir HENRY THORNTON: I think Mr. Gzowski, the chief engineer of construction is here he has been familiar with the propert for a good many years, and I think he knows probably more about that old contract and the conditions than anyone else, and I would ask him if he would be kind enough to make a brief statement to the committee explaining the situation.

Mr. McGIBBON: In the meantime, tell me what else is on the—

The CHAIRMAN: Let us finish this up first.

Sir HENRY THORNTON: I think you will be interested in hearing what he has to say.

Mr. GZOWSKI: I first want to say I had nothing to do with the Canadian Northern. The bargain briefly was that the Canadian Northern obtained about 250 acres almost in the centre, the geographical centre of the city of Vancouver. In return, they gave back about 30 acres which was to be used for park purposes and road purposes. The railway company undertook to enter Vancouver via a tunnel, to electrify that tunnel and to electrify all terminals; to put overhead bridges eventually as and when called upon for practically every street on that particular block the property covered; also to make certain developments at the head of False Creek; to make a sub station somewhere at the mouth of the tunnel—I might say the tunnel has never been definitely fixed,—and other small items. At the time that the recent negotiations were made with the city I sat in on these, and we were able to show that we were saving at least $15,000,000, or, in other words, the city were giving us $15,000,000 in consideration of building the hotel that was referred to by the minister. That was a very considerable item to give us in lieu of the hotel.

Mr. **Hanson**: Two hundred and thirty acres was the only thing that the city gave for the construction?

The **Chairman**: Well, the False Creek property was one that was undeveloped; it was a space that belonged to the city and had to be covered by bridges. It was one of the best entrances that could be given to any railroad corporation. There is no doubt about that. I was in Vancouver long before any member here was born—when I say "any member" I mean any member from Vancouver. I do not mean some of the other gentlemen here who are ten or a dozen years older than I am. I can almost say to any member from Vancouver that I was in the city before it was named Vancouver and before False Creek was known as a creek at all, before there was any building in the city. I was there in 1885 and you can figure it out for yourself; and I have been there almost every year or two since. That is one reason why I took a little exception to what Mr. Hanbury said about the position of this new hotel, that it was a better position than where the C.P.R. hotel is. I do not believe him, and I can tell him, more, that the values of land on Granville street, on which the C.P.R. hotel is, are very much more than they are where this other hotel is.

Mr. **Hanbury**: You are speaking, about the cost of land.

The **Chairman**: That is what I say.

Mr. **Hanbury**: I say it is a better site for the purpose.

The **Chairman**: Oh, well,—that is a different statement.

Hon. Dr. **Manion**: To complete the picture, may I just read the order in council. I sent for it so there would be no misunderstanding, and we will have it on record. This order in council was passed on the 28th September, 1926. It was passed by the other government after we went out. It is a briefer one than the other one, which consists of four pages. This one is dated the 28th of September, 1926, and I shall read it:—

The Committee of the Privy Council have had before them a report, dated 28th September, 1926, from the Minister of Railways and Canals, representing that by order in council of the 7th August, 1926 (P.C. 1218) approval has been given to a recommendation of the Board of Directors of the Canadian National Railway Company to construct, at an approximate cost of $3,500,000 a hotel in the city of Vancouver in consideration of the city of Vancouver releasing the Canadian Northern Pacific Railway company and the Canadian Northern Railway Company of any and all obligations and liabilities under the provisions of Clauses 12, 13, 14 and 17 of a certain agreement, dated the 5th of February, 1913, entered into between the city of Vancouver, the Canadian Northern Pacific Railway Company and the Canadian Northern Railway Company. The said order in council further purports to authorize the said Railway companies to enter into an agreement or agreements with the city of Vancouver to give full effect to the understanding arrived at.

The Minister further represents that it is expedient that the matter, as approved by the said Order in Council of the 7th of August, 1926 (P.C. 1218) be given reconsideration.

The Minister therefore recommends that the said Order in Council of the 7th of August, 1926 (P.C. 1218) be cancelled.

The committee concur in the foregoing recommendation and submit the same for approval.

I should not have read that one, because that is the one that was not carried out.

Oh well, gentlemen, don't think you have any laugh on me at all, because you have not. I have the Order in Council here which authorized the $3,500,000 hotel, so the laugh is the other way.

I should read the other Order in Council passed by us to justify myself. This one is dated the 7th day of August, 1926. "The Committee of the Privy Council have had before them a report, dated 3rd August, 1926, from the Acting Minister of Railways and Canals, representing:

1. That under date the 5th day of February, 1913, an agreement was entered into between the city of Vancouver, in the province of British Columbia, of the first part, and the Canadian Northern Pacific Railway Company, of the second part, and the Canadian Northern Railway Company, of the third part; the said agreement being hereinafter referred to as "the Agreement," the city of Vancouver as "the city" and the said Railway companies as "the companies."

2. That under the agreement the companies covenanted with the city, inter alia, to do and perform certain matters and things specifically set out in the agreement clauses numbers 12, 13, 14, 16 and 17 thereof, and in the whole generally in effect as follows:—

(*a*) That the approach of the railway "through the high grounds lying to the south and east of the railway property shall be by means of a tunnel of double track capacity or two single track tunnels, the tunnels to be electrified and permanently maintained;

(*b*) That a permanent station be established at the south or east portal of the tunnel, and if the north portal is more than three-quarters of a mile from the Union Station, an additional permanent station to be constructed at the north portal;

(*c*) That no engines in False Creek shall at any time be operated by steam from coal oil other substances emitting fumes, gas or smoke to such an extent as to make a nuisance;

(*d*) That within five years from 1913 a 250-room first-class hotel shall be constructed and thereafter permanently maintained within the limits on property other than railway property;

(*e*) that, if required, a spur track crossing Main street to the city market be constructed.

3. That the Companies have not carried out the provisions of the agreement, clauses 12, 13, 14, 16 and 17 thereof.

4. That the city is pressing for the immediate performance of the provisions of the agreement, clause 16 thereof, urging that the present needs of the city require a larger hotel than the one proposed under the provisions of the said clause 16.

5. That the estimated cost to the companies of carrying out the works called for by the agreement, clauses 12, 13, 14 and 17 thereof, is $8,150,000.

6. That the Board of Directors of the Canadian National Railway Company is of opinion that the Companies' liability under the agreement, clauses 12, 13, 14 and 17 thereof, is questionable, and that it is not in the public interest that the Companies undertake to comply with the provisions of the said clauses of the said agreement, the agreement in respect of which was improvidently entered into.

7. That the cost of the construction of the proposed 500-room hotel is estimated at $3,500,000.

8. That during the past two years negotiations have, with the approval of the Department of Railways and Canals, been carried on between the authorities of the Canadian National Railways and the authorities of the city with an endeavour to effect a settlement between the companies and the city providing for the erection by the companies of a hotel within the limits of the city of approximately five hundred renting rooms to be operated by the companies and providing for the release by the city of the carrying out by the companies of the provisions of the agreement, clauses 12, 13, 14 and 17 thereof.

9. That the negotiations in the immediately preceding statement referred to have been carried on to a successful conclusion, the authorities of the city making stipulation that action under agreement reached through such negotiation to be taken immediately, in which immediate action the authorities of the Canadian National Railways concur.

10. That the Council of the city passed a resolution on the 15th day of April 1926, (copy of the resolution hereto attached marked "A") making reference to the agreement and, in particular, to clauses 12. 13, 14, 16, and 17 thereof and to the matter of hotel requirements in the city, and under said resolution resolved as follows:

> "That, in consideration of the said railway companies, or either of them, immediately erecting, or causing to be erected by an arrangement with any other person or company, a first class modern hotel containing not less than five hundred rooms, and forthwith to maintain and operate the same, the city hereby releases the company from its obligations under clauses 12, 13, 14 and 17 of the said agreement of 1913."

11. That it is the opinion of the Board of Directors of the Canadian National Railway Company that, in view of the progress made by the Canadian National Railways in revenue receipts during the present year the whole cost of the construction of the proposed five hundred room hotel can be met from the estimates which were submitted to parliament at its last session and approved by the agreement or agreements with the city of Vancouver to give full effect accordingly.

The committee concur in the foregoing recommendation and submit the same for approval."

I might just say in apologizing for reading that long document, I should not have intruded into this discussion at all, but my friend Mr. Hanbury brought me into it by declaring that I used the words "unnecessary extravagance."

Mr. HANSON: Mr. Chairman, it would appear from the reading of that order in council that by letter of the 3rd of August Sir Henry Thornton endorsed the whole proposal as outlined in the order in council.

Hon. Dr. MANION: Apparently.

Mr. HANSON: That order in council was rescinded in September, the next month, before the election. I would like to know from Sir Henry Thornton if there was any authority for the recission of that order in council, or did the old government do it off their own bat.

Sir HENRY THORNTON: I had nothing whatever to do with it.

Mr. HANSON: I am glad to hear that.

Now, the old government cancelled the arrangement that the railways themselves had made with the Vancouver authorities, as you will note in that order in council, and the hotel was not to be built on railway property but on a site to be selected. I leave it to the public to conclude about the arrangement.

Hon. Dr. MANION: It is probably lucky I read that other order in council after all.

Hon. Mr. EULER: I was just wondering whether the two statements made in that order in council are reconcilable. The order in council calls for the construction of a hotel with no fewer than 500 rooms. It also says that it shall cost $3,500,000 and that it shall be a first class hotel. I would like to know whether it is possible to complete a hotel, built on those requirements, a first class hotel with 500 rooms, for $3,500,000.

Mr. CANTLEY: There is a wide variety of opinion on what is a first class hotel.

Hon. Mr. Euler: Not so much nowadays.

Mr. Hanson: A good many circumstances would have to be taken into consideration. What would be a first class hotel in Ottawa or Toronto would be a luxurious hotel in my town.

Hon. Mr. Euler: Not in Vancouver.

Mr. Hanson: Possibly not.

Hon. Dr. Manion: There is no doubt that the order in council cites that the proposal was recommended to the Minister by Sir Henry Thornton in a letter.

Hon. Mr. Euler: There was a first class hotel built in the city of Toronto recently, which contains about 1,000 rooms or a little more, and cost I think, $17,000,000.

Mr. Heaps Does the $3,500,000 referred to in the order in council take into consideration the cost of the land?

Mr. Gray: That is what I was just going to ask.

Hon. Mr. Euler: What is the land worth?

Hon. Dr. Manion: $700,000.

Sir Henry Thornton: $700,000 odd dollars, my recollection is, but I will have it looked up; I cannot answer off-hand.

Mr. Hanbury: Neither would that include the cost of equipping.

Hon. Mr. Euler: I would like an answer to that question, if I can get it, whether you can build a first class hotel with 500 rooms for $3,500,000. I do not think you can.

Sir Henry Thornton: Quite frankly, after considering the whole situation and discussing it, we came to the conclusion subsequently, that we could not.

Hon. Mr. Euler: The railway came to that conclusion?

Sir Henry Thornton: Yes.

Mr. Hanson: That is your opinion?

Sir Henry Thornton: Yes.

Mr. Gray: Has there been anything extra added that would make up the difference between $3,500,000 and $9,000,000?

Sir Henry Thornton: 95 rooms were added. That was made in this way. We had a certain site of a certain size, and the additional 95 rooms would relatively amount to not very much, and after discussing the whole situation with our traffic officers, and a general examination of it, we came to the conclusion that as long as we had gone that far, 500 rooms, we had better take advantage of the situation and make the hotel 595 rooms, instead of 500.

Hon. Mr. Euler: That was the decision of the railway authorities, I take it, not of the government.

Sir Henry Thornton: Yes, and therefore we assumed responsibility.

Hon. Dr. Manion: What is the number of the rooms in the Chateau?

Mr. Hanson: About 600.

Hon. Dr. Manion: I submit to my friend, Mr. Euler down there,—

Sir Henry Thornton: I think there are about 550 rooms.

Hon. Dr. Manion: The Chateau cost less than $9,000,000.

Hon. Mr. Euler: Not much less.

Hon. Dr. Manion: Something less.

Hon. Mr. Euler: The new wing alone cost $7,000,000.

Hon. Dr. Manion: The present cost is $8,535,000 plus $145,000 which would make it $8,680,000.

Hon. Mr. Euler: I would like to ask this; does that include the old original Chateau?

Hon. Dr. Manion: It does not include the property.

Hon. Mr. Euler: That is the original cost.

Hon. Dr. Manion: That is the marked total cost. If we can build the Chateau, with 550 rooms for less than $9,000,000, I think we ought to be able to build a first class hotel in Vancouver for less than that.

Hon. Mr. Euler: The original Chateau was built how long ago—20 or 25 years ago, when building was very cheap?

Mr. Hanson: Finished in 1912.

Hon. Mr. Euler: To get down to the point, the new wing which consists of 250 rooms, cost how much?—$7,000,000?

Mr. McLaren: Six million.

Hon. Mr. Euler: I am quite willing to make a comparison with this new wing of 250 rooms, and you should build a good hotel in Vancouver with almost 600 rooms for—

Hon. Dr. Manion: It has not 600 rooms.

Mr. Gray: 595.

Hon. Dr. Manion: Well, I submit that the Chateau, which is probably one of the most beautiful hotels in the world—

Hon. Mr. Euler: Quite so.

Hon. Dr. Manion: —is quite good enough for the city of Vancouver, and is a worthy competitor of any hotel in the world. But that is not the point: I am not really arguing the point. The point is that they settled with the city of Vancouver to build a hotel costing $3,500,000. That is the point Mr. Hanbury brought out.

Hon. Mr. Euler: A first class hotel there will be different from a first class hotel in a small town.

Hon. Dr. Manion: That is a bit of nonsense, because I have in my city, Mr. Euler, what they call a first class hotel, a hotel which has only 100 rooms, and it cost to build about $700,000 or $800,000, but it is called a first class hotel. As Mr. Hanson says, what constitutes a first class hotel is a matter of opinion. There are lots of hotels in Europe that are absolutely first class hotels, but they could not compare with the Chateau Laurier. I think Sir Henry will agree with me in that, because they do not go in for the luxurious surroundings of the Chateau Laurier. I am not saying this in a critical sense, I am just saying it is a matter of opinion as to what constitutes a first class hotel.

Hon. Mr. Euler: I am just trying to get an answer to my question whether it is possible in the city of Vancouver to build a first class hotel containing 500 rooms for $3,500,000. My impression is that you cannot do it. I would like to know that. I do not think that you could compare a first class hotel in Vancouver with what is called a first class hotel in Fort William, and I am not reflecting upon Fort William at all, but a first class hotel in Fort William would not do as a first class hotel in Vancouver.

Hon. Dr. Manion: Certainly it is a matter of opinion what a first class hotel is. That is what I am pointing out. I agree with you in that. I do not mean to say that an $800,000 hotel in Vancouver would be satisfactory, but there is a vast jump between $3,500,000 in 1926 and the cost that is estimated in 1930.

Hon. Mr. Euler: You added another 100 rooms.

Hon. Dr. Manion: All right, but in the same proportion it does not come to $9,000,000. I did not mean to argue this thing out.

Mr. Heaps: The whole point is whether the building is an economical building. Are the people being given value for the money?

Hon. Mr. Manion: That is not the question Mr. Hanbury brought up. He brought up the question that I used the word "extravagance" and I used the words "unnecessary capital expenditure." I submit further that the Canadian National Railway would be better off to the extent of quite a few hundreds of thousands of dollars annually if they had not built the Vancouver Hotel at all, and furthermore, that the Canadian National Railway would be better off if they had not built any hotels in this country.

Mr. Heaps: We are going beyond the argument. They inherited a number of hotels for which the company is held responsible, and we are discussing the one at Vancouver. There was a contractual obligation to the company. It was claimed that a three and a half million dollar hotel—

Mr. Hanson: It could be settled for three and a half million dollars.

Mr. Heaps: It might be a good thing to build a hotel of two hundred and fifty rooms or five hundred and ninety-five, I don't know; but that is a matter entirely for the officials of the company to determine; but to try to make the inference that they are building a nine million dollar hotel which only cost three and a half millions might leave a decidedly wrong impression. I do not think we ought to allow the impression to go abroad that we are building a nine million dollar hotel for three and a half millions.

Mr. Hanson: I think the basis of the statement was that he had stated that the unnecessary expenditure had not been instigated by the late government, and I will ask Sir Henry Thornton whether or not the management of the railway accept the full responsibility for the increase from three and a half million dollars to the estimated cost for the construction of the hotel in Vancouver.

Mr. McGibbon: Sir Henry said they were not even consulted.

Sir Henry Thornton: I did not quite mean that. As I recall the circumstances, the first order in council which was passed by the government which existed during the interval was cancelled by the subsequent government when they returned to power.

Mr. Hanson: You had nothing to do with that.

Sir Henry Thornton: That was an action of the government; I had nothing to do with that, but that re-opened the whole question, and we had our contract with the city and when we came to reconsider the whole question again business was increasing, times were booming, and it looked as if they were going to continue to be good. We felt at that time, in the light of the information that we then had, that it would be the part of wisdom to build a better hotel than was originally contemplated in the first order in council, and of larger size. Now, I will say perfectly frankly here—and this applies to a good many things, not only in connection with the railway but with every enterprise in Canada—if I had known at that time that we were going to be confronted with such times as we now have, I certainly would not have made that recommendation; but there are a good many people who did things at that time and who, had they known what they know now, certainly would not have embarked upon them.

Hon. Mr. Euler: You did make a recommendation?

Sir Henry Thornton: Certainly. We accept full responsibility for any recommendation which went to any government at any time.

Mr. Hanson: The fact of the matter is that you thought you had to have a hotel comparable with the C.P.R.?

Sir Henry Thornton: Yes, exactly.

Hon. Mr. Euler: Wasn't the initiative to build a hotel somewhat larger and of a better character taken by the railway itself?

Sir **Henry Thornton**: Yes, certainly it was.

Hon. Mr. **Euler**: And not by the government?

Sir **Henry Thornton**: No, the government didn't make any recommendation as to what we should do. They simply cancelled the previous order in council and left the thing in the air to revise.

Hon. Mr. **Euler**: And they accepted your recommendation which was to build the hotel as it is now?

Mr. **Hanson**: At a capital cost in this case of six million dollars more than the arrangement that could have been made?

Hon. Mr. **Euler**: What arrangement?

Mr. **Hanson**: Sir Henry said just now that if he had to do it over again they would not do anything of the sort.

The **Chairman**: I think we have spent enough time on the hotels. I am under the impression that the management will not build any more hotels to-morrow.

Mr. **Hanson**: There are a whole lot of things they will not do.

Mr. **Gray**: I think that applies to members of the committee.

Sir **Henry Thornton**: What Mr. Hanson says is quite true. Two or three years ago we exercised such judgment and intelligence as we had in the light of the times, and as I said a moment ago there are lots of things which we did and lots of things which the people of this country did—

The **Chairman**: Lots of us.

Sir **Henry Thornton**: —that we would not have done had we known what is happening to-day. I cannot speak more clearly than that.

Hon. Mr. **Euler**: You acted on your best judgment at that time?

Sir **Henry Thornton**: Certainly.

Mr. **McGibbon**: The test of that was the contractual agreement with the city of Vancouver. There was one settlement made for three hundred and fifty thousand dollars—

The **Chairman**: Three and a half million.

Mr. **McGibbon**: Three and a half million dollars. That was satisfactory to the city of Vancouver. It was satisfactory to the directors, and it was satisfactory to the government. That was set aside, and the result of that setting aside is about six million or more added to the settlement. Is not that correct?

Hon. Mr. **Euler**: And a better hotel.

Sir **Henry Thornton**: You will forgive me if I prefer to keep out of anything that looks political?

Mr. **Gray**: Certainly.

The **Chairman**: I think enough time has been spent on the Vancouver Hotel.

Mr. **Gray**: It is done anyway. If you want to blame the late government, blame them.

Mr. **MacMillan**: Are you progressively working on the hotel in Vancouver?

Sir **Henry Thornton**: Yes.

Mr. **MacMillan**: It is not going to be shut down?

Sir **Henry Thornton**: No, it has not been shut down.

Mr. MacMillan: It is not going to be?

Sir Henry Thornton: Not at the moment.

Mr. Bell: Are you contemplating building a hotel in Montreal?

Sir Henry Thornton: That is one question that I can answer in the negative, although there have been offers made and suggestions proposed, and we have, with the prudence which is characteristic of the management up to this time, rejected all of them.

The committee adjourned to meet on Tuesday, June 23, at 11 o'clock a.m.

SESSION 1931

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 8

TUESDAY, JUNE 23, 1931

WITNESSES:

Sir Henry W. Thornton, K.B.E., President of the Canadian National Railways.

Mr. S. W. Fairweather, Director, Bureau of Economics, Canadian National Railways.

Mr. J. B. McLaren, Comptroller, Finance Department, Canadian National Railways.

Mr. D. C. Grant, Vice President, Finance Department, Canadian National Railways.

Mr. C. S. Gzowski, Chief Engineer, Construction Department, Canadian National Railways.

Mr. S. J. Hungerford, Vice President, Operation and Construction Department, Canadian National Railways.

Mr. C. P. Brown, Chief Engineer, Operation Department, Canadian National Railways.

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1931

MINUTES OF PROCEEDINGS

TUESDAY, June 23, 1931.

MORNING SITTING

The Select Standing Committee on Railways and Shipping, owned, operated and controlled by the Government, in accordance with notice issued, opened proceedings at 11.20 o'clock a.m., Hon. Mr. Chaplin, the Chairman, presided.

Members present: Messrs. Beaubien, Bothwell, Chaplin, Duff, Euler, Fiset (Sir Eugène), Fraser (Cariboo), Hanbury, Heaps, Kennedy (Peace River), McGibbon, MacMillan (Saskatoon), Manion, Rogers and Stewart (Lethbridge). —15.

Sir Henry Thornton furnished a list of answers to questions submitted prior to the meeting, as follows:—

1. Number of pensioners living in Canada, United States, other countries. —*Mr. Fraser.*
2. Fire and marine insurance placed or renewed with underwriters during 1930.—*Mr. McGibbon.*
3. Number of employees on the payrolls, divided between employees in Canada and employees in United States.—*Mr. Fraser.*
4. What is the operating ratio of the Chateau Laurier compared with what it was before the enlargement?—(8-year period).—*Mr. McGibbon.*
5. What are names of firms from which radio equipment is purchased by the Canadian National Railways? (1929-30). (See evidence for answers).— *Mr. McGibbon.*

Discussion in connection with marine insurance, Pacific, Atlantic and West Indies' service.

Question by Mr. Chaplin answered, *re* present and ultimate investment in hotels now being constructed or under way.

Discussion *re* Canadian National bonds and securities. Charts distributed to the Committee showing trend of yield.

Rules and regulations of Pensions Department distributed, in response to request at previous meeting.

By permission of the Committee Mr. Hackett asked several questions, which were answered. Also made some corrections in his evidence of prior date.

Statement of estimated financial requirements for 1931 taken up.

Some discussion on Sunnybrae-Guysborough Railway.

It being one o'clock the Committee adjourned to meet again at 4 p.m.

MINUTES OF PROCEEDINGS

AFTERNOON SITTING

Owing to a division in the House the Committee could not secure a quorum until 4.30 o'clock. Hon. Mr. Chaplin, the Chairman, presided.

Members present: Messrs. Beaubien, Bothwell, Cantley, Chaplin, Duff, Euler, Fraser (Cariboo), Gray, Hanbury, Hanson (York-Sunbury), Heaps, Kennedy (Peace River), McGibbon, MacMillan (Saskatoon), Manion and Rogers.—16.

Statement of estimate of financial requirements again considered. Discussion *re* expenditures on railways and Montreal Terminals; also respecting hotel in West Indies.

Some discussion *re* Northern Alberta Railways.

It being six o'clock the Committee adjourned to meet again at 11 o'clock, tomorrow—Wednesday.

E. L. MORRIS,
Acting Clerk of the Committee.

MINUTES OF PROCEEDINGS

ROOM 368,

HOUSE OF COMMONS,

TUESDAY, June 23, 1931.

The Select Standing Committee on Railways and Shipping met at 11 o'clock a.m. Honourable J. D. Chaplin, Chairman, presiding.

The CHAIRMAN: The Minister of Railways and Canals will not be here for a few minutes, but in the meantime we will go ahead with the work.

SIR HENRY THORNTON: Mr. Chairman, Dr. McGibbon asked a question at the last meeting in regard to fire and marine insurance placed or renewed with underwriters during 1930.

The fire insurance placed or renewed amounted to $9,912,000. Premium paid on that insurance, $26,927.22. Marine insurance, amount placed $11,500,000; premium paid, $153,770.08.

Mr. Fraser asked the number of pensioners living in Canada or the United States and other countries. The answer is: Pension cheques mailed to pensioners in Canada to 2,900 individuals; to pensioners in the United States (who were formely employed on our American lines) 336 individuals; to pensioners in the United States (who were formerly employed on our Canadian lines) 119 individuals; to pensioners living in other countries, 25 individuals.

Mr. Fraser asked the number of employees on the pay-rolls, divided between employees in Canada and employees in the United States. The answer is that the average number of employees on the Canadian National Railways system, including hotels and the Central Vermont Railway, for the year 1930, was 102,773. Of that number there were employed on Canadian lines, including hotels, 90,510; and within the borders of the United States, 12,263.

Dr. McGibbon asked, What is the operating ratio of the Chateau Laurier compared with what it was before the enlargement? The answer is that the new wing was opened in March, 1929, and the operating ratio for the eight years, excluding extraordinary alteration expenses charged to operation, is as follows:—

1923	95·36 per cent	1927	75·20 per cent
1924	90·14 per cent	1928	76·69 per cent
1925	87·85 per cent	1929	83·96 per cent
1926	79·99 per cent	1930	83·18 per cent

The ratio for the eight years under consideration is 83·28.

Dr. McGibbon also asked this question: What are the names of firms from which radio equipment is purchased by the Canadian National Railways?

The answer is: During the years 1929 and 1930, radio equipment and supplies, and repair parts, were purchased from the following firms:

Northern Electric Company, of Montreal, manufacturers of radio equipment. Our purchases from this firm consisted of broadcasting equipment, including public address systems for hotels, and other equipment used in broadcasting stations, also vacuum tubes, microphones, etc.

Canadian General Electric Company, of Montreal, manufacturers of radio receiving equipment. Our purchases consisted mainly of charging equipment for charging storage batteries for battery equipped radio sets.

Canadian Marconi Company, Limited, of Montreal, manufacturers of radio equipment. Our purchases consisted of three complete radio receiving sets for the Canadian National Steamships, also radio tubes and repair parts for broadcasting equipment.

Victor Talking Machine Company, of Montreal, manufacturers of radio equipment. Our purchases consisted of twelve sets of radio receiving equipments in 1929 and twenty-four sets in 1930, including cabinets in rough.

Stromberg-Carlson Telephone Company, of Toronto, manufacturers of radio equipment. Our purchases consisted of ten sets of radio receiving equipments in 1929, and six sets in 1930, and did not include cabinets.

The Hart Battery Company, of Montreal, manufacturers of storage batteries. Our purchases consisted of batteries for receiving sets on passenger cars.

The Canadian National Carbon Company, of Toronto, manufacturers of dry cell batteries. Our purchases consisted of radio batteries and tubes for receiving sets.

The Canadian Brandes, Limited, of Toronto, manufacturers of radio head sets. Our purchases consisted of ear phones for radio equipment for passenger cars.

The Ferranti Limited, of Toronto, manufacturers of electrical equipment. Our purchases consisted of transformers for broadcasting equipment.

The Carter Radio Company, of Toronto, manufacturers of radio equipment. Our purchases consisted of radio plugs.

The Electric Specialty Manufacturing Company, of Stamford, Connecticut, manufacturers of electrical appliances and radio equipment. Our purchases consisted of dynamotors made specially for use in connection with receiving equipment used on our trains. These equipments are not manufactured in Canada.

The Aerovox Wireless Supplies, Limited, of Brooklyn, New York, manufacturers of radio equipment. Our purchases consisted of special condensers for use in connection with train receiving equipment and which are not manufactured in Canada.

Payette and Company, Limited, of Montreal, radio dealers. Our purchases consisted of a few sets of ear phones, not elsewhere obtainable as manufacturers had discontinued making them.

The E. W. Playford Limited, of Montreal, wholesalers of electrical apparatus. Our purchases consisted of a special radio analyser handled exclusively by them.

The T. C. Darling Company, of Montreal, authorized dealers for Stromberg-Carlson Telephone Company, manufacturers of radio receiving sets. Our purchases consisted principally of repair parts for Stromberg-Carlson sets. They gave us the same price as we were able to obtain direct from the Stromberg-Carlson Telephone Company. There will be no further orders of this nature as we now handle our own radio repairs. Purchases from this firm in 1929 amounted to $165, and in 1930 they were nil.

I will hand this information to the reporters.

Hon. Mr. EULER: In connection with premiums on Marine insurance, on the railways you carry your own insurance altogether. Have you thought of applying the same principle, carrying your own insurance on your vessels, as you do on the railways.

Sir HENRY THORNTON: We do.

Hon. Mr. EULER: You speak of premiums.

Sir HENRY THORNTON: A certain proportion is put out to Underwriters, I mean the larger risks.

Hon. Mr. **Euler**: Do you carry your own insurance there as you do on your railways.

Sir **Henry Thornton**: Let me correct that, Mr. Euler. Practically all of that Marine insurance is on the Pacific coast boats.

Hon. Mr. **Euler**: And that is carried by private insurance companies.

Sir **Henry Thornton**: We carry out the first $300,000 ourselves and farm out the balance.

Hon. Mr. **Euler**: Why vary the practice.

Sir **Henry Thornton**: Well, because we do not care to jeopardize the insurance fund, in the event of a very large risk or a very large loss. We do not mind carrying losses in our own insurance fund up to, say, $300,000; but if a boat should become a total loss we do not want to carry that risk in our own fund. That is, in a measure, re-insurance.

Mr. **Duff**: A very wise thing.

Mr. **Fraser**: I understood the other day that you made a clear line of division as between your coastal service and your triangular service. I understood you to say that you had an idea or intended to give out the insurance on your triangular service. Was that correct?

Sir **Henry Thornton**: No, this is all the same thing. We are to-day running vessels in what is known as the triangular service, that is, vessels which call at Vancouver, Seattle and Victoria. They started, I think, this year, maybe last year; but there is no line of demarcation. If I gave you that impression I did it unwittingly. There is no line of demarcation between what is called the triangular service and the general coastline service. The triangular service is a part of the general coastal service. It is called the triangular service as a sort of trade name.

Hon. Mr. **Euler**: In your regular Merchant Marine, which I think consists of between thirty and forty vessels, do you carry that yourselves or not.

Sir **Henry Thornton**: Yes, we carry that ourselves.

Hon. Mr. **Euler**: That applies also to the new West Indies service, does it, those new boats.

Sir **Henry Thornton**: Yes.

Mr. **Duff**: You set aside a certain amount every year, which you credit to an insurance fund.

Sir **Henry Thornton**: We pay the premium to ourselves.

Mr. **Duff**: You set aside a fund.

Sir **Henry Thornton**: Yes.

Mr. **Duff**: Exactly. We decided that some years ago.

Sir **Henry Thornton**: Yes.

Hon. Mr. **Euler**: Are the rates greater on the Pacific Coast?

Sir **Henry Thornton**: We have more expensive vessels. It is a little difficult to say whether the risk is greater or not. At certain times of the year there are serious fogs, heavy fogs, in some of the inland routes that some of our vessels follow; the rights themselves are narrow and tortuous.

Hon. Mr. **Euler**: And the rates are correspondingly high.

Sir **Henry Thornton**: I hope so.

Mr. **Fraser**: Is the premium paid for Marine risks on the Pacific greater than on the Atlantic for a similar service.

Sir **Henry Thornton**: I have no way of making comparison, but my guess would be that they probably are. I may be wrong in that.

Mr. MacMillan: What is your basis of arriving at insurance that you place on vessels; is there any set basis.

Sir Henry Thornton: It is largely a matter of judgment. For instance, we carry risks in our own fund up to $300,000; When we get beyond that we put it outside, because if the loss should be a total one we think it good judgment not to jeopardize our own insurance fund by that amount.

Mr. MacMillan: That is just an arbitrary amount.

Sir Henry Thornton: That is so.

Mr. Duff: Every insurance company does the same thing. If they get a larger amount than they think they can carry then they give it to other insurance companies.

Sir Henry Thornton: The same as in life insurance, I believe.

Hon. Mr. Euiler: But they are not owners.

Mr. Duff: It would not be wise to carry the whole thing themselves.

Sir Henry Thornton: May I go on gentlemen. There was a question asked by Mr. Chaplin, and the question was: What the present investment was, and when same is all completed, what the ultimate investment is to be in the hotels that are being constructed or under way. I will hand this in to the official reporter; but, for the purpose of this committee you will probably just want the total. The total as of December 31, 1930 is $26,354,778.

The estimated cost to complete hotels now under construction is $9,538,606, and that means that the total estimated investment on completion in hotels will be $35,893,384.

INVESTMENT IN HOTELS AT DECEMBER 31, 1930, ESTIMATED COST TO COMPLETE HOTELS UNDER CONSTRUCTION AND ESTIMATED TOTAL INVESTMENT WHEN CONSTRUCTION COMPLETED

Name	Location	Investment Dec. 31, 1930	Estimated Capital Expenditure Jan. 1, 1931 to completion	Estimated investment on completion
Pictou Lodge	Pictou, N.S.	$ 200,883	$	$ 200,883
Nova Scotia	Halifax, N.S.	2,358,418	182,682	2,541,100
Chateau Laurier	Ottawa, Ont.	8,535,864	145,000	8,680,864
Fort Garry	Winnipeg, Man.	2,890,206		2,890,206
MacDonald	Edmonton, Alta.	2,224,852		2,224,852
Prince Arthur	Port Arthur, Ont.	1,176,921		1,176,921
Prince Edward	Brandon, Man.	519,813		519,813
Jasper Park Lodge	Jasper, Alta.	2,539,154		2,539,154
Minaki Lodge	Minaki, Ont.	1,091,354		1,091,354
Grand Beach Hotel	Grand Beach, Man.	417,107		417,107
Nipigon Lodge	Orient Bay, Ont.	37,639		37,639
Highland Inn Camps	Algonquin Park Ont.	182,491		182,491
*Canadian National	Charlottetown, P.E.I.	689,460	166,540	856,000
*The Bessborough	Saskatoon, Sask.	510,221	3,232,779	3,743,000
*Canadian National	Vancouver, B.C.	2,980,395	5,811,605	8,792,000
Total		$26,354,778	$9,538,606	$35,893,384

Hotels in operation	$22,174,702
*Hotels under construction	4,180,076
	$26,354,778

I think it was Mr. Heaps who asked for information with respect to the trend of the yield on Canadian National bonds and Canadian National securities guaranteed by the government. It is a little difficult to answer that question in a form which will convey the information desired; but Mr. Grant, our financial Vice President, has prepared a series of charts which show the yield in the column on the right and left, and the price, and week by week from April 1st, the market value in yield of those different securities that is represented by a series of charts, which I think, is about the best way to explain the situation.

Mr. HEAPS: What years have you got there, Sir Henry.

Sir HENRY THORNTON: That is from April 1st to June 19th, 1931. These charts show the trend of yield as represented by the market price of those bonds. That is to say, that represents, as far as the market can represent, the opinion of the public as to the relative value of the two classes of securities. Have I made that clear, Mr. Heaps.

Mr. HEAPS: Yes, but I thought you were going to give us the information for a longer period than you have given us here on the charts.

Sir HENRY THORNTON: Well, I suppose the only reason that that was done was because of the labour involved and the difficulty and time it would take to go back over a period of years and collect the data. Is that right, Mr. Grant.

Mr. GRANT: It was just a question of giving the present market comparisons, Mr. Heaps.

Mr. HEAPS: Did you do much financing in the period as shown in the chart here.

Mr. GRANT: Not in that period, no sir.

Mr. HEAPS: Then it would not give the comparison I am asking for.

Sir HENRY THORNTON: That represents the estimate that the public has expressed, or as expressed by the public, as to what the public thought of them. If there is anything else you would like, or anything else you can suggest, we will try to get it for you.

Mr. HEAPS: The purpose of my question was to find out if it was possible to borrow money cheaper than you have been doing under the present system.

Sir HENRY THORNTON: If you take the period subsequent to April 1, you will observe that on May 6 there was a considerable drop on yield of Canadian government bonds and that continued until May 27, and then it ran along fairly level. If you will take the Canadian National securities there was a continued drop till May 6, and then from that time onward a steady increase in both yield and price.

I would like to get you the information you want; but it is a little hard. However, if you will say what you want we will try to get it for you.

Mr. HEAPS: All I was asking for was to find out if it would be possible to borrow money cheaper with the government doing the borrowing than the Canadian National.

Sir HENRY THORNTON: Mr. Grant follows this thing almost day by day and has done so for several years, and I think perhaps he could give you an answer to that question to the best of his ability based upon his experience. Could you do that, Mr. Grant?

Mr. GRANT: As I stated at the last meeting, Mr. Heaps, you cannot compare a government issue with an issue of the Canadian National unless they are issued at the same time and practically under the same terms and conditions. I stated at the last meeting that a direct government bond would sell at a better price than a Canadian National guarantee bond.

Hon. Mr. MANION: You stated one-tenth of 1 per cent.

Mr. GRANT: Approximately. I have prepared a chart there of four different bonds, Dominion government, $4\frac{1}{2}$ per cent bonds as compared with three Canadian National $4\frac{1}{2}$ bonds. Now, take the third one on your sheet there, the third chart, that is Dominion government 1956, maturing 1956, $4\frac{1}{2}$ bonds, and then compare our $4\frac{1}{2}$ per cent bonds which are due in February, 1956. That is about as close a comparison as you can get.

Mr. HEAPS: One is 4·42 as against the same period of 4·21.

Mr. GRANT: No, take Dominion Government 1956. That is the third chart.

Sir HENRY THORNTON: Just show Mr. Heaps the few sheets there which you are comparing.

Mr. GRANT: The third chart, that is 4½ per cent Government Bond, it is selling at 102¼ June 19, a yield basis of 4·33; Canadian National bonds due 1956, the same year, is selling at 102¼ or 4·35 basis.

Sir HENRY THORNTON: 101¼, 1956, Canadian National. That is the second to the last chart.

Mr. GRANT: 102¼.

Mr. HEAPS: It is 4·35, 102¼ as against 100¼.

Mr. GRANT: That is the comparison there. Take the last date we have there.

Hon. Mr. EULER: .That hardly corresponds with your opinion that the difference is one-tenth of 1 per cent. That comparison you make is a bond, or on bonds, with the date of issue the same and the date the same.

Mr. GRANT: Quite right.

Mr. EULER: That is about the only comparison you can get.

Sir EUGENE FISET: In connection with your last Canadian National issue, 1956, 102¼, 435 and Dominion government 1956, 102¼, 453 yield, were these bonds guaranteed?

Mr. GRANT: Yes, sir.

Sir HENRY THORNTON: They are guaranteed by the Dominion government.

The CHAIRMAN: Are there any other questions?

Sir EUGENE FISET: Have you provided a sinking fund here?

Mr. GRANT: I said the other day that we had no sinking fund in these bonds that were guaranteed by the government, and the recent issue. I made that statement, Mr. Fiset.

Mr. HEAPS: It appears to me from these charts that the difference in the borrowing powers or capacity of the government and the railways is approximately half of 1 per cent. I am taking that second last sheet, Canadian National 4¼ bonds, February 1, 1956.

Mr. GRANT: Yes.

Mr. HEAPS: Showing 101¼.

Mr. MACMILLAN: They all show 101¼.

Mr. HEAPS: I take your third sheet, Dominion Government Conversion Loan, June 1, 1956, a fraction below 102.

Mr. GRANT: Dominion Government loan 102¼.

Mr. HEAPS: It is less than 102. It is between 101¾ and 102.

Mr. GRANT: Yes.

Mr. HEAPS: That means a little less than 102.

Mr. GRANT: That is a quarter less.

Mr. HEAPS: Here you have 101¼, so that I say the difference is about half of 1 per cent. I am just stating what is shown on the charts here.

Mr. GRANT: I do not just see where you get the half of one per cent.

Mr. HEAPS: What do you estimate as being the difference in borrowing capacity in the two corporations?

Mr. GRANT: I have stated there was a difference last year of ·10 per cent.

Mr. HEAPS: You still retain that figure?

Mr. GRANT: The different maturities will make a different yield on those bonds. That is a shorter term bond. Take, for example, that short term bond on the first 1944 there. The 4·27 basis, it is selling against our 4·35. There is a difference of ·19.

Mr. HEAPS Well, Mr. Grant, am I to accept it as being your opinion that one-tenth of one per cent would be the difference approximately between the government borrowing and the railway borrowing capacities?

Mr. GRANT: I would not say that. I would say the same bond is selling on a basis of approximately that; but the point I am trying to make, Mr. Heaps, is that the Dominion Government bond, their last issue $100,000,000 was a 4 per cent coupon. It was put out in October, 1930. You cannot compare that price of that day with the bond that we put out in February which was a 4¼ per cent coupon. It is not comparable.

Mr. DUFF: A great deal depends on the financial efficiency of the corporation.

Sir HENRY THORNTON: I do not think so, Mr. Duff. I think what the purchaser of a bond looks at is the security of the bond.

Mr. DUFF: I thought you were giving the value of it in this chart?

Sir HENRY THORNTON: All these bonds of ours are guaranteed by the government, in fact, they are the same as a government bond although there might be a slight disparagement against our bonds.

Mr. DUFF: The market value is determined by the condition of the corporation.

Sir HENRY THORNTON: There are other factors which enter into it which are of some importance than the state of our earnings.

Hon. Mr. EULER: I think the only factor that enters into it is the responsibility of the government in both instances.

Sir HENRY THORNTON: I think that is a fair statement.

Hon. Mr. EULER: If your corporation cannot pay the interest on those bonds the government pays it.

Sir EUGENE FISET: Canadian National bonds are a second mortgage, while Dominion Government bonds are a first mortgage.

Sir HENRY THORNTON: The main factor is the condition of the money market at the date of issue.

Mr. HEAPS: What I am trying to get at is quite obvious, if there could be any saving by the Federal Government handling these bonds I would like to see that money saved to the Canadian National system.

Sir HENRY THORNTON: The only answer I could give you to that would be to rely on the experience and judgment of Mr. Grant who, as I say, specializes on these things almost day by day. It would be very difficult to get any set of statistics or charts which would definitely prove that one way or the other. I would personally a good deal rather rely on his opinion than a set of charts.

Hon. Mr. EULER: At one time the government itself made the direct issue and it was later transferred to the railways.

Sir HENRY THORNTON: I don't know anything about that.

Mr. GRANT: Before the amalgamation I understand that the government made direct advances in cash to the railway.

Hon. Mr. MANION: That is true. This $604,000,000 is an instance. It was advanced by the government at various times from 1911 on.

Sir HENRY THORNTON: The question Mr. Heaps is asking is directed to the question of which method will save to the Canadian National and to the Government of Canada as a whole the most money.

Mr. HEAPS: It is quite obvious.

Sir EUGENE FISET: Loans from the treasury were made to the railways. They were provided for even last in the estimates. You have a proviso in the issue of your loans that the amounts of certain rates could be advanced direct through the treasury. That was the first item in your estimates.

Hon. Mr. MANION: Yes, but it was not done between 1919—I had the figures here some little time ago—and 1923. There was quite a good deal of money advanced in cash then. Then from 1923 to date there has been very little adavnced in cash. As I say, I had the figures here recently. I do not wish to give them from memory, although I think I could; but the only money that has been advanced, so far as my recollection goes, by the government in cash was $604,000,000 which is in the balance sheet, and that was advanced between 1911 and 1930. Then the balance of the government account is entirely made up of interest or of government railways which they have handed over to the National Railways to administer. I do not think the government has ever issued straight bonds, except to guarantee them, and I presume the reason is because the hope was there that ultimately the railway would carry the interest itself.

Sir HENRY THORNTON: The one idea being that the state of the railways might be such as to enable them to guarantee without government guarantee.

Hon. Mr. MANION: That is what I mean.

Sir HENRY THORNTON: Mr. Heaps, I want to give you everything we can.

Mr. HEAPS: I appreciate all you have done in this matter, Sir Henry.

Hon. Mr. EULER: Mr. Chairman, it seems apparent that the government can borrow just a little more cheaply or more to the advantage of the country than the railway issuing their own bonds direct. If that is true, would it be worth while, or are there any great objections to giving consideration to the advisability of the government doing the borrowing. There may be some objections, I don't know.

Hon. Mr. MANION: There is a representative here of the Finance Department who might possibly give the committee a suggestion in that regard.

An hon. MEMBER: After all, it is a matter of government policy.

Mr. ROBERTS: It is entirely a matter of government policy. When we have surplus funds, under the statutory authority, we have made temporary advances to the railway. We try to operate as economically as possible in that respect. The other question is one of government policy. As Mr. Grant says it could be done much cheaper.

Sir EUGENE FISET: Could you tell me if this year you have provided in Bill 79 for the government to advance loans to the Canadian National.

Mr. ROBERTS: Only temporary. The provision is that the railway can use the government guarantee; but if we should be able by reason of market conditions to tide the railway over a difficult period, why, we would have authority to assist it in that manner. But the idea is that guaranteed securities will be issued.

Sir EUGENE FISET: It is a change in the system.

Mr. ROBERTS: No. I might explain to the committee the change in the system was brought about by reason of the fact that railway supply is not a part of government supply. It is aid to a corporation, therefore, it has really no place in the supply bill which is aid to His Majesty directly and, for that reason, practically the same provision that grew up under the old Act has now been embodied in those two statutes, one giving the railway authority and the other giving the Dominion authority to guarantee those bonds. One now takes its place in the statute rather than in an estimate.

The CHAIRMAN: I hope Mr. Roberts' statement will not start a political controversy on the whole question of government and railway loans. These charts, as I take it, show this, that where you can make a close examination there is a slight amount in favour of the government borrowing. Before the committee rises, I will ask them to put a sentence in their report covering any recommendation they may want to make in regard to this matter.

Sir HENRY THORNTON: At the last meeting, I think it was, a request was made that the rules and regulations of the Pensions Department be distributed. I have had those sent up and they will now be distributed to the members.

There are no further questions to answer, Mr. Chairman, of which I have knowledge.

Hon. Mr. MANION: Just one little point I suggest for the information of the committee; Mr. Grant, would you mind giving to the committee the amounts of money and the amounts of government guarantees starting at 1919 right up to date, just putting it on the record, taking the two periods, say, from 1919 to 1923, and then from 1923 to date. The reason I take those two periods is because 1923 was the year of consolidation.

Mr. GRANT: You want the total of cash advanced and the total guaranteed.

Hon. Mr. MANION: Yes, and put them on the record. It will be interesting to the members to have that information.

Mr. HACKETT: May I refer to a correction to which I made reference the other day. Page 56 is so reported as to place misstatements in the mouth of the witness, Mr. McLaren, and to put things into my mouth, which I did not say. I have made the correction, and with your permission, I will hand it to Mr. McLaren and ask him to verify its accuracy so that it may go into the record of this day as a correction.

The CHAIRMAN: I am sorry that such a thing should have occurred. We will try and get the correction made.

Mr. DUFF: Mistakes will happen even in the best regulated families.

Mr. McLAREN: Mr. Hackett, was it just the one item about the public debt?

Mr. HACKETT: In the first place, the word "debit" is used instead of the word "deficit," and then where I asked with regard to deficits since a certain date I am reported as asking "up to a date," the information was available up to a date. Then the most gross error was in the last question, the answer to the last question, wherein I am reported as having said "and that is after deducting interest only on the funded debt to the public and disregarding interest on amounts owing the government." You see, your answer there makes it appear that all interests on all liabilities had been paid, which is not the case.

Mr. McLAREN: No, I am sorry I misunderstood your question. My answer should have been that the $111,272,315.57 is after deducting the interest on the funded debt of the railway held by the public.

Mr. HACKETT: Only.

Mr. McLAREN: Yes.

Mr. HACKETT: Without any allowance for the $604,000,000 owing to the government and without taking into consideration some of the other liabilities.

Mr. McLAREN: Correct.

Sir HENRY THORNTON: Are you and Mr. Hackett now in accord?

Mr. HACKETT: We have been in accord throughout. The only difficulty was that we may have been talking a little rapidly, and it was at the end of a long session and the reporter, possibly due to some mumbling on my part did not report me or Mr. McLaren accurately.

Sir HENRY THORNTON: Well, then, we have got that clear, I think. Is it your wish, Mr. Chairman, that we should proceed with the statement of estimated financial requirements, resources and capital expenditures for the year ending December 31, 1931?

The CHAIRMAN: Yes.

Mr. Fairweather:

CANADIAN NATIONAL RAILWAYS

STATEMENT OF ESTIMATED FINANCIAL REQUIREMENTS, RESOURCES AND CAPITAL EXPENDITURES FOR THE YEAR ENDING DEC. 31, 1931

Net income requirements after interest (Exhibit "A")	$31,367,882 56
Other financial requirements	
Retirement of capital obligations including sinking fund and equipment principal payments (Exhibit "D"	9,299,613 44
Acquisition of securities of Canada West Indies Hotel (Exhibit "E")	150,000 00
Net financial requirements	$40,817,496 00

Mr. Duff: Do we not take them up item by item? Had we not better do that? Why read them all off and then go back?

The Chairman: We will go through each page and then go back and clean it up. We will go back to the individual items.

Mr. Fairweather:

General additions and betterments less retirements (Exhibit "F")		$20,604,663 00
Discount on securities to be issued (Exhibit "Q")		3,500,000 00
Proposed new equipment issue series "M" (Exhibit "R")		3,939,200 00
		$68,861,359 00
Less to be provided out of C. V. Ry. Inc. Working Capital		361,359 00
Net requirements to be voted for 1931		$68,500,000 00
Eastern Lines Requirements—		
Government Contribution Maritime Freight Rates Act (Exhibit "S")	$2,450,632 00	
Deficit from operation (Exhibit "S")	6,631,856 00	
		9,082,488 00
Equipment Trust Series "M" (Exhibit "T")		11,100,000 00
Authorized by Statute—		
Branch lines (Exhibit "U")	$4,550,000 00	
Toronto viaduct, ch. 46, 20-21 Geo. V, 1930	2,550,000 00	
Montreal terminals, ch. 12, 19-20 Geo. V, 1929	8,000,000 00	
St. John & Quebec railway purchase, ch. 17, 19-20 Geo. V, 1929	250,000 00	
Northern Alberta railways, ch. 48, 19-20 Geo. V, 1929	176,486 00	
		15,526,486 00
Total net requirements		$104,208,974 00

Mr. Fraser: When was this estimate prepared, how long ago?

Sir Henry Thornton: Well, of course, we have been working at it ever since the latter part of last year. We began along in November to gather the information with respect to the estimates for the year, and we tried to get it in final shape after consultation with the Minister, and the approval of our boards, and so on, in time to be presented to Parliament.

Mr. Fairweather: Of course, it has been revised from time to time. I think it was finally approved by the directors some time early in April.

Sir Henry Thornton: Of course, we started mind you before the end of the year. Then about the first of the year we thought that certain such figures were safe; but the business situation and the earnings of the company went from bad to worse, and an estimate that was made to-day was not any good to-morrow. Things changed with such rapidity and finally, somewhere along early in April we had to settle down and had to take a chance on something and then this estimate was at that time presented.

Mr. Fraser: What I had in mind was this, Sir Henry: The total requirement you are asking for is $104,000,000. With the experience you have had, with six months behind you, is that considered to-day all that you will require?

Sir Henry Thornton: No, I do not think so, excepting I think it is only fair to say this: although it may appear a somewhat slender reed to lean upon we have been considerably disappointed—and I think all railway executives on the North American continent have been equally disappointed—with the trend of business since the first of the year. We thought that last year would represent the minimum of gross revenue but unfortunately month by month we have shown decreases in gross revenues as compared with the same period last year.

Now, the thing that I wanted particularly to refer to which may conceivably give us a better second half for the year than we have during the first half—and I will not put it on a higher plane than to say it conceivably may—is the recent statement by the President of the United Sates in regard to a moratorium for a year in international obligations. The moment that statement came out there was a favourable effect on stock markets in practically every market throughout the world. The gesture, if one may call it such, was received with enthusiasm and with considerable relief in all countries. Important economists have been telling us almost month by month that we have reached the bottom, although each succeeding month led us to believe that perhaps we had not reached the bottom, purely an estimate. Anyway, for what it is worth Mr. Babson, who is an authority upon such subjects, said recently he was satisfied and would pledge his reputation that we had reached the bottom. Now, there comes this quite momentous statement of Mr. Hoover's with respect to the attitude of the United States in regard to financial obligations, and it has been generally accepted in all countries except possibly one or two. It may be that is just the thing that is needed to start the business of the world back on the road towards a normal condition. Personally I think it is a fair bet that it may be. Of course, that proposal has not yet been definitely approved by the Congress of the United States. It has not been definitely accepted by all countries; but, at the same time, the mere suggestion of such a proposal has certainly had an immediate and favourable effect upon business throughout the world, and it is quite within the limits of possibility that we may find a better last six months or second six months of this year than we had during the first six months. But if things continue as they have been going on for the last six months, there is no use kidding ourselves that this estimate which was prepared in April and represented the best of our judgment, and perhaps the best judgment anybody could bring to bear, that that estimate is going to be sufficient. It is not. If things continue we are likely to require an additional $10,000,000.

Mr. Hackett: If your total required were brought down to date by what amount would it exceed the $104,208,000 which is mentioned at the bottom of the first page?

Sir Henry Thornton: Well that is not a question which is easily answered, Mr. Hackett. We are making every effort to-day—and I say to-day because recently we have all been hoping that things were going to be better; there was some evidence that things might be better. But we are to-day making every curtailment of capital expenditures which can possibly be made notwithstanding this estimate. In other words, if this estimate were approved to-day we who are charged with the responsibility of capital expenditures of the Canadian National Railways would not spend that money if we could possibly avoid doing so.

Now, there are certain statutory expenses to which we are committed such as these branch lines and so on which are enumerated at the bottom of the sheet. And there are certain obligations that we have entered into with the government with respect to the relief of unemployment. The government last autumn undertook to so save the railway companies, if you like to call it such, for their interest, the interest to be charged on capital expenditures which might conveniently be started immediately for the purpose of the relief of unemployment. That represents a definite understanding with the government and the government is, you may say, holding the bag as far as the interest charges are concerned for a certain period.

The whole point is this, that if quite irrespective of this estimate—and, after all, we have got to present some kind of estimate, we have got to decide on some kind of a course—notwithstanding this estimate, if that estimate is approved it is the intention of the railway company to curtail capital expenditures in every conceivable way within the limit of our ability to do so. I do not know just offhand how far we can go. That is engaging the attention of the proper officers of the company at this moment.

Mr. HACKETT: Is it your opinion that if the requirement were brought down to date that $15,000,000 of additional money would be adequate to have in excess of the $104,000,000.

Sir EUGENE FISET: He said $10,000,000 a moment ago.

Mr. HACKETT: I said $15,000,000.

Sir HENRY THORNTON: Well, I should think that $10,000,000 would be the figure I would name. As a matter of fact, the mathematical figure is about $15,000,000 and I am hoping we can squeeze another $13,000,000 somewhere between now and the end of the year. So I would say that $10,000,000 is as near a guess as can be made of these things. The way things are going to-day, with conditions that confront us, even the most experienced person cannot do any more than make a guess at it.

Hon. Mr. MANION: Do you mean $10,000,000 for the six months or for the full year.

Sir HENRY THORNTON: For the full year. I am talking of the whole year.

Mr. HACKETT: By my question I intended not to go beyond the requirements as we know them to-day.

Hon. Mr. MANION: In other words, how far are you beyond your estimate at the present moment.

Mr. HACKETT: Yes, and I understood that you were about $15,000,000 out at the present time.

Sir HENRY THORNTON: I am afraid, Mr. Hackett, I cannot segregate any six months. I want to answer your questions, I know they are seriously put and I want to answer them seriously.

Sir EUGENE FISET: Is it not a fact that in making your estimate for your requirements for the present year, that is, 1931-32 you have estimated $104,000,000, but your own estimates were nearly $13,000,000 over and above that sum; but you have asked the government only to provide for $104,000,000.

Sir HENRY THORNTON: Oh, no.

Sir EUGENE FISET: You just suggested a moment ago that if things go on as they are you will want $10,000,000.

Sir HENRY THORNTON: Not thirty.

Sir EUGENE FISET: 1 said $13,000,000.

Sir HENRY THORNTON: I am sorry. Well, if anybody can guess this closer than between $10,000,000 and $13,000,000 they will make a fortune on the stock market.

Hon. Mr. MANION: I think you are misunderstanding each other a little. It is deficit on interest to the public. In other words, they estimated when they put in this estimate that they would be $31,500,000 short this year on their interest to the public. In other words, they took practically the figure that they were short last year, 1929, but instead of that the gross earnings are going down month by month; they have gone down $5,000,000 a month. The result is that the net earnings naturally will be less, and they figure now instead of $31,000,000 in all probability it will be $41,000,000 that they will be short on their interest to the public.

Sir Henry Thornton: The Minister is exactly right in that statement. May I just say this, that, of course, in making up this budget one of the factors that we have got to estimate upon is how much money we are going to have at the end of the year to apply on the interest of the funded debt in the hands of the public and that is entirely an estimate, and that estimate in turn, when you get down to brass tacks, depends upon how much your gross revenue is going to be for the year.

Mr. Duff: It is purely an estimate.

Mr. McGibbon: That is your greatest variable point, your estimate.

Sir Henry Thornton: That is the variable factor, and that is the factor that we have got to estimate upon.

Sir Eugene Fiset: Don't you think, Mr. Chairman, that at this time it would be advisable for us, in discussing this estimate to have before us Bill 79. It does not exactly fit in with the amount stated in the balance sheet. If we could deal with Bill 79 we could do the work right off the bat and get rid of it.

Mr. Heaps: I do not think we will get any further. The estimate after all is only an estimate, and I think we might as well proceed.

Sir Henry Thornton: I might also say in connection with the question Mr. Hackett has addressed that we have by no means ceased our efforts in the direction of operating economies. There are still further economies that are occurring month by month. It is like squeezing a sponge. The first time you get a lot of water out of it, the next turn you get some more and you keep on turning until finally you have squeezed the sponge dry.

Hon. Mr. Euler: It is not dry yet.

Sir Henry Thornton: We do not think it is dry. We think there is still some more to be had out of it, and we are addressing every possible effort in that effort consistent with prudent operation.

Mr. Heaps: How are the revenues of the Canadian National compared with other Class 1 railways.

Sir Henry Thornton: We are practically the same. From an operating point of view there is substantially no difference with relation to both revenues and expenses.

Mr. MacMillan: Sir Henry, the result of the crop in Western Canada this year will have quite an influence on your revenues.

Sir Henry Thornton: Certainly. I have been trying to guess the crop for the last eight years, and I do not think I have hit it yet. We have all been trying to do it. If anyone of us could accurately estimate the crop of Western Canada we could probably do pretty well.

Mr. Heaps: You want to find someone whose foresight is as good as his hindsight, then you would be all right.

Sir Henry Thornton: Well, if the Angel Gabriel, who presumably is in the confidence of the heavens could come down to earth and tell us a few things we might get somewhere; but I cannot find anybody who can give me any accurate estimate.

Mr. Hanbury: This estimate of $3,500,000 securities to be issued, in view of the present condition of the money market isn't it likely you won't lose $3,500,000.

Sir Henry Thornton: No. Mr. Grant, will you let us have your experience in that. We have estimated discounts on securities to be issued at $3,500,000.

Mr. Grant: Part of that amount has been used in connection with our last issue of $70,000,000, about $2,500,000 was utilized as discounts on that last issue. It depends on what kind of security you put out, Mr. Hanbury.

Mr. Hanbury: Why not put out a security at a rate that will bring you par.

Sir Henry Thornton: Of course, if you do that, it is a difficult thing to get it both ways. What we have been trying to do in the issue of our securities is to keep the interest rate down. We think it is a little better policy to pay a little more for discount when the security is issued than to saddle the railway with a higher rate of interest because five or ten years hence that might prove to be a bad bargain. The general policy of the company has been to try to keep the rate of interest down.

Mr. Fraser: Is not the discount amortized.

Sir Henry Thornton: Oh, yes.

Mr. Fraser: It comes to the same thing. The railroad is actually charged with whatever interest you pay.

Sir Henry Thornton: That is true.

Mr. Duff: Then there is the broker's commission.

Sir Henry Thornton: Of course, there is this: Securities sold at a discount usually have a better sale than those that are sold at a premium. You have got to have some regard also for the degrees of success with which an issue can be marketed. There are a great many factors which creep into this thing. It is a difficult thing to find any formula which you can apply which will give you a mathematically accurate answer. When we issue our securities, or are preparing an issue, we try to get the best financial advice we can obtain; but, after all, it is only advice.

Hon. Mr. Manion: I suppose in that $3,500,000 there is included the commissions and expenses. When you say discount you really include commissions and expenses.

Sir Henry Thornton: Quite right.

Mr. Fraser: May I ask this question: Could we secure an analysis of your expenses as indicated by that $193,000,000.

Sir Henry Thornton: Let me say this, that up until the present time we have been discussing nothing but expenses.

Mr. Fraser: That was for 1930.

The Chairman: In answer to Mr. Fraser's question I can tell him this, there is no matter that has been discussed that cannot be opened up again by any member of the committee.

Mr. Hanbury: At any time?

The Chairman: At any time.

Sir Henry Thornton: Just say again what you had in your mind, Mr. Fraser.

Mr. Fraser: I want an analysis of your coastal ships, of your boats on the Pacific.

Mr. Duff: That will come up with the Merchant Marine.

Mr. Fraser: That is in the $193,000,000. I have looked through your statements from year to year and I have never seen an analysis of your boats on the Pacific at all, of your operating costs and your capital costs, and all that kind of thing. I have not seen a reference to it at all.

Sir Henry Thornton: Perhaps if the Chairman approved this would be a good time to discuss that.

The Chairman: I want to keep to one thing at a time.

Mr. Fraser: I am not altogether ready at the moment. I did not bring my material down.

The CHAIRMAN: Put that in the form of a question so that the information can be gotten ready. I do not want to be led away from what we are at now.

Sir HENRY THORNTON: We have all of the information with respect to the point that has been raised and can discuss it at any time that suits the convenience of the committee and yourself.

Mr. HANBURY: Before you proceed, I would like some explanation for my own information of that item in connection with the C.V. railway working capital.

Sir HENRY THORNTON: Central Vermont. That means this, Mr. Hanbury, that the Vermont railway has that sum available. That is really the short answer and I think the answer you want.

Mr. FRASER: That is your estimate for 1931.

Sir HENRY THORNTON: No, no. We have got that money.

Mr. HANBURY: It does not need to be provided again.

Sir HENRY THORNTON: That money is in the bank.

Mr. DUFF: Mr. Chairman, I wonder if I could ask something with regard to Exhibit U?

Sir HENRY THORNTON: That is a statement showing the proposed expenditures for the year 1931 on lines included in the 1929-32 branch line construction program as passed by Parliament.

Mr. DUFF: In that exhibit there is $1,000,000 for the Sunnybrae-Guysborough Railway. I would like an explanation as to the present position of that railway and what this $1,000,000 is intended for.

Sir HENRY THORNTON: Mr. Gzowski, I think you can answer that question. Mr. Gzowski, I may explain, is engineer of the construction act of the Canadian National and can answer the question Mr. Duff has put.

Mr. GZOWSKI: The present position of the railway is that a little over 90 per cent of the grading is now completed, about 70 per cent of the culverts and the same percentage of the sub-structures of the bridges are now complete; twenty-two miles of track are now laid; one superstructure of one bridge is complete. There are about five and a half miles of fencing and ten miles of telegraph lines complete. The $1,000,000 will complete the grading, culverts, road diversions and sub-structures of the bridges and twenty-two miles of telegraph lines will be built. That will be the position about the 15th of August or end of August.

Mr. DUFF: Then is it the intention to proceed with the grading and the building of bridges or culverts immediately?

Mr. GZOWSKI: Well, the grading is being proceeded with now. There are about 550 men working on the line now, and there has been about that force during the year, and that will continue until about the end of July when the forces will be gradually reduced as the various pieces of grade are completed.

Mr. HACKETT: Do you estimate that 85 per cent of the work is all done?

Mr. GZOWSKI: I said 90 per cent of the grading is done and 87 per cent of the culverts and sub-structures of the bridges are done. Twenty-two miles of track are already laid and five and a half miles of fencing was complete and ten miles of telegraph line.

Mr. DUFF: Is it the intention to finish the grading of the whole line this year?

Mr. GZOWSKI: Yes, sir.

Mr. DUFF: And where is this 22 miles of grade laid?

Mr. GZOWSKI: From Sunnybrae 22 miles.

Mr. DUFF: East?

Mr. **Gzowski**: Yes.

Mr. **Duff**: Are you going to finish the laying of the rails?

Mr. **Gzowski**: No, we have not sufficient money with that $1,000,000.

Mr. **Duff**: How many men have been laid off in the last three or four months?

Mr. **Gzowski**: Very few, sir.

Mr. **Duff**: Will the men on now be kept all year?

Mr. **Gzowski**: No. About the end of August will wind up the appropriation we have, and about the 15th of July will start a material reduction in the number of men.

Mr. **Duff**: When do you expect to complete the railway?

Mr. **Gzowski**: Well, when we get the money.

Mr. **Duff**: Well, you know, of course—or perhaps, you don't know, but I will remind you of the fact that under an Act which was passed by Parliament the railway must be completed by 1932.

Mr. **Gzowski**: Yes.

Mr. **Duff**: Is it the intention to complete it by that time.

Sir **Henry Thornton**: Well that is a little difficult question to answer because it involves the question of policy. I should say yes that it is, but that will involve additional appropriations. Mr. Gzowski has pointed out that the money in hand will only carry us to a certain date, and if there is no money then the work will have to stop. But I should think—and Mr. Gzowski can correct me if I am wrong—that if we had sufficient funds for it we could finish by the statutory date to which Mr. Duff has referred. Is that right.

Mr. **Gzowski**: Yes.

Mr. **Duff**: Sir Henry, the policy was laid down by parliament when they passed this Act in 1929. It is not a question of policy.

Sir **Henry Thornton**: You have got a different parliament.

Mr. **Duff**: That does not make any difference unless we repeal the Act.

Sir **Henry Thornton**: Well, I can only say, Mr. Duff, I do not know how to build railways without money.

Mr. **Duff**: I agree with you. Let me ask another question. Is it not a fact that under the Act passed in 1929, $3,500,000 was provided for this railway.

Sir **Henry Thornton**: I cannot remember that.

Mr. **Gzowski**: Yes, that is correct.

Mr. **Duff**: How much of that amount has been spent including this $1,000,000 referred to in this Exhibit.

Sir **Henry Thornton**: Mr. McLaren can answer that.

Mr. **McLaren**: There has been expended up to the end of December, 1931, $2,411,998.48.

Mr. **Duff**: Almost $2,500,000.

Mr. **McLaren**: Right.

Mr. **Duff**: And this is an extra million dollars.

Mr. **McLaren**: Right.

Mr. **Duff**: Or is this for part of the work already done.

Mr. **McLaren**: The $1,000,000 is for expenditure in 1931.

Mr. **Duff**: Then how are you going to provide for the rails and the track-laying, sleepers and ballasting.

Sir **Henry Thornton**: Well, this is just one of those problems.

Mr. GZOWSKI: That work, I might say, was charged last year because it was laid last year, 22 miles.

Hon. Mr. EULER: $3,500,000 is not sufficient to complete the road.

The CHAIRMAN: The appropriation, evidently, has been spent with this $1,000,000.

Mr. DUFF: It looks like it.

The CHAIRMAN: You will have to get a new Bill, Mr. Duff.

Mr. DUFF: Yes.

Hon. Mr. MANION: Is it not so, Mr. Gzowski, that nearly all these branch lines built by various railways—not only the Canadian National but the C.P.R.—are continually asking for extensions after they get a charter.

Mr. GZOWSKI: Well, Dr. Manion, only in two cases have we had to ask for an extension of time.

Hon. Mr. MANION: I have been on the railway committee for many years—I am speaking of the annual railway committee—and one of the duties of the railway committee is extending charters that have been given to build roads.

Sir EUGENE FISET: Mr. Duff means that the Act of parliament provides for $3,500,000 which will be exceeded when that $1,000,000 is spent, and we will have to have another Act of parliament to get another estimate.

Mr. DUFF: I do not think we need another Act of parliament. I think we need an amount of money voted towards the railway. The Act of parliament provides that the road must be completed by 1932, and I think it stands in a different position from the branch railways mentioned by the Minister. These are private companies. This is not. This is in a different category because this railway is being built by the Canadian National. It is really a government railway.

Hon. Mr. MANION: All the branch lines of the Canadian National are statutory.

Mr. DUFF: Quite right, but they are in a different position from the ordinary private line.

The CHAIRMAN: If it is your wish, Mr. Duff, that the recommendation be made by the committee later on I will see that it is put in the report.

Mr. DUFF: Mr. Chairman, there is not a mile of railway in the county of Guysborough outside of about a mile coming into the town of Mulgrave on the line from Halifax to Sydney, and it seems to me that something should be done. The people have been asking for this line for some forty years, and it seems to me, especially in view of the Act, that this is one of the lines which should be completed within the date specified.

Mr. HEAPS: How much more money will it take to complete this line.

Sir HENRY THORNTON: Can you answer that, Mr. Gzowski.

Mr. DUFF: Outside of this $1,000,000.

Mr. GZOWSKI: About $700,000.

Mr. DUFF: That includes stations and everything to complete the lines.

Mr. GZOWSKI: Yes, sir.

Hon. Mr. EULER: I take it from what Sir Henry has said that this money will be expended by August and that the line will not be completed.

Sir HENRY THORNTON: Yes.

Hon. Mr. EULER: Does that mean that unless more money than the $1,000,000 is voted by parliament that the line will not be completed.

Sir HENRY THORNTON: That is right, is it not, Mr. Gzowski?

Mr. **Gzowski**: Yes.

Hon. Mr. **Euler**: I was just curious how that could be. Would it not be better to put more money in the estimates in order to complete the building of the road?

Sir **Henry Thornton**: I will answer that. The point is this: It is a problem which confronts the proprietor, namely, the government, not only in this case but in many other cases throughout the whole of Canada. The situation was such that we were obliged to curtail in every possible way our capital expenditures, and we had to take a little off some and a little off another and sweep up what we could, in other words, to reduce the capital budget to what we thought, and what the government was willing to accept, as an irreducible minimum, and you cannot do anything else.

Hon. Mr. **Euler**: But the fact is the work will have to come to an absolute stop at the end of August.

Sir **Henry Thornton**: The government is confronted with a serious financial problem.

Mr. **MacMillan**: You think that is good business?

Sir **Henry Thornton**: So far as we are concerned we are perfectly willing to go ahead with the railway, but we must have some regard to the financial position of the government and ourselves, and the country as a whole.

Mr. **Duff**: Isn't it rather a small amount? For instance, you have over 20 miles on construction.

Sir **Henry Thornton**: We are reducing every capital expenditure that we can reduce, Mr. Duff.

Mr. **Duff**: Well, you have other works under construction, are you stopping all of those? Take, for instance, the hotels which are under construction. Are you stopping those as in the case of this railway, or are you going ahead and finishing them?

Sir **Henry Thornton**: Many of those are under contract.

Mr. **Duff**: Well, this is really under contract too.

Sir **Henry Thornton**: The only answer I can make to you is that we are reviewing the whole of our capital expenditures and reducing those capital expenditures wherever we feel that we can without damage to the property. Now, I can make no other answer than that.

Mr. **Duff**: Is it not a fact that if the rails are not laid and the line ballasted, that the part of the right-of-way which will not be ballasted and the rails laid will depreciate?

Sir **Henry Thornton**: Every section of this country, and quite natural, wants the particular job that is going on in that vicinity to be completed and each section of the country regards that as the most important capital expenditure that is being made in Canada. I do not criticize them at all, but that is the tendency. Now somebody, some instrumentality has got to decide either to go on or to stop, that is all.

Mr. **Duff**: But where capital expenditure has been made, say four-fifths of the amount required, it seems to me that that is in a different position entirely.

Sir **Henry Thornton**: Well, I can only say this, Mr. Duff: If, in the judgment of this committee it is desirable to continue that work and the money is appropriated we will certainly continue it. It is a matter which properly should be left to the judgment of this committee.

Hon. Mr. **Euler**: Is it the general policy to discontinue works that are partially completed or almost entirely completed?

Sir **Henry Thornton**: That is quite a usual policy on all railroads in times of stress.

Hon. Mr. EULER: Is that the policy just now in connection with the Canadian National branch lines?

Sir HENRY THORNTON: It certainly is wherever we think it is a desirable thing to do,—not desirable but at least the only thing we can do.

Hon. Mr. EULER: Something like the Hudsons Bay railroad.

Mr. DUFF: They are not stopping that, they are going right ahead with it.

Mr. FRASER: I would like to ask a question about the Tete Jaune cutoff. You have not provided anything in this estimate for that?

Sir HENRY THORNTON: Can you answer that, Mr. Gzowski?

Mr. GZOWSKI: The Tete Jaune cutoff was designed originally for two purposes, one was to act as a double track through the heavy grade sections of the mountains and the other purpose was that, in addition, it could be used for a cutoff for the movement through Prince George and Vancouver without going up the steep grade through Redpass Junction. On our final surveys we discovered in order to get the best lines between the low grades between Prince George and the Vancouver movement that we could use very little of that line in the double track proposal, and in view of the lack of business in 1929, and in view of the Peace River outlet question, it was deemed advisable to leave over in abeyance—as a matter of fact, the real necessity for the double track was not there with the decreased business in 1929, so the expenditure was not made of course.

Mr. DUFF: There has been no expenditure at all on the line referred to by Mr. Fraser. That is in a little different position. What will happen as far as the contractors are concerned, if this line is not proceeded with? Will they have an action for damages against the railway.

Mr. GZOWSKI: They will have a claim for compensation in connection with the equipment for track laying and ballasting which was only partly used and had to be taken in and had to be taken out.

Mr. DUFF: If they stop the work and they take this equipment away and have to bring it back again will not that mean that it will cost the railway a large sum of money.

Mr. GZOWSKI: It will cost more I do not know what the amount will be.

Mr. DUFF: Can you give me any idea how much it will cost? Will it cost $200,000 more.

Mr. GZOWSKI: I should not think anything like that.

Mr. DUFF: But it will cost something. They will have to be paid for taking the equipment away and bringing it back.

Mr. GZOWSKI: Yes.

Mr. HACKETT: Do you say that the amount provided by Statute was $500,000.

Mr. GZOWSKI: Yes, plus 15 per cent.

Mr. HACKETT: That is $525,000 in excess of the $3,500,000.

Mr. GZOWSKI: Yes.

Mr. HACKETT: Then you estimate that it will require $750,000 in excess of the $4,025,000.

Mr. GZOWSKI: No, sir. I was asked how much it would take to finish it beyond the $1,000,000 appropriation this year. The amount provided in the Bill was $3,500,000 plus 15 per cent. Our estimate at the present time figures we can do it for that amount of money.

Mr. HACKETT: I understand that there has already been provided two and a half million and there is another million.

Mr. GZOWSKI: That was the end of 1930.

Mr. Hackett: And this estimate is another $1,000,000. That would exhaust the amount you referred to in the Bill less the 15 per cent, is that correct.

Mr. Gzowski: Yes.

Mr. Hackett: And you estimate that it will take three-quarters of a million dollars in excess of the $3,500,000. The figure I aimed at was the total amount of the authority under the Bill which was $3,500,000 plus 15 per cent which I think is $4,050,000.

The Chairman: You state now, in other words, that the 15 per cent extra will about complete the enterprise.

Mr. Gzowski: Yes, if we went on with it now.

Mr. Duff: No, it would only mean a difference of $175,000. If you estimate $3,500,000 plus 15 per cent then the difference between the total cost and the moneys available would be about $175,000.

Mr. Hackett: No, no.

Mr. Duff: Why not. You add the fifteen per cent, Mr. Chairman, if I know anything about figures to the $3,500,000, and that gives you $4,000,000 and something. Now, then, he says the total cost will be $3,500,000 plus $700,000.

Mr. Gzowski: No, sir.

Mr. Duff: I asked how much more it would take beyond the $1,000,000.

Mr. Gzowski: And I said $700,000.

Mr. Duff: Quite right.

Mr. Gzowski: What I wanted to come at was the $4,050,000. That is the total.

Sir Henry Thornton: The total estimated cost.

Mr. Gzowski: Yes.

Mr. Duff: Will that be the total estimated cost.

Mr. Gzowski: We think we can do it for that money.

Mr. Duff: And you say there is sufficient money provided in this $3,500,000 plus 15 per cent.

Mr. Gzowski: Yes.

Mr. Duff: Well then, you have got enough money to complete it practically.

Mr. Gzowski: Yes.

Mr. Hackett: What proportion of the job as a whole has been done? You have given the percentages of grading, rails and telegraph equipment. I want to know what proportion of the whole job has actually been done.

Mr. Gzowski: I cannot give you that figure offhand.

Sir Henry Thornton: I think I can answer that, Mr. Hackett.

Mr. Hackett: Between 85 and 90 per cent.

Mr. Gzowski: No, less than that. It is 59 per cent. It comes to nearly 60 per cent taking the job as a whole, including fencing and telegraph lines.

Sir Henry Thornton: I understand Mr. Hackett's question to be the physical condition.

Mr. Hackett: Yes.

Hon. Mr. Euler: With this $1,000,000 you have explained you are exhausting the appropriation of $3,500,000, and above that you have another 15 per cent. If you asked for $1,500,000 instead of $1,000,000 you could practically complete that road.

Mr. Duff: That is it.

Hon. Mr. Euler: According to your statement.

Mr. Gzowski: Yes, I think so.

Mr. MacMillan: Where does the 15 per cent come in? How did they come to put in 15 per cent over and above the estimate?

Mr. Gzowski: That was a general practice that grew up. The Bill provides on the face of it for 15 per cent beyond the estimate.

Mr. Duff: Might I ask, have you made a contract for sufficient rails for the whole of this line?

Mr. Gzowski: You mean for the rails themselves.

Mr. Duff: Yes.

Mr. Gzowski: Those have been provided by the railway and they are on hand.

Mr. Duff: You have got the rails?

Mr. Gzowski: They come within the system.

Mr. Duff: So all you need is a little labour to complete this work.

Mr. Heaps: Can I have information as to what the prospects are on this line at the present time so far as traffic is concerned?

Mr. Duff: It is in the lap of the gods.

Mr. Heaps: We might as well have all the facts. I want them all.

The Chairman: If the committee will permit me we will let that question stand for another day. It is ten minutes to one o'clock. I want the members of the committee to remain for a few minutes, and I also want Sir Henry, Mr. Grant, Mr. McLaren, and Mr. Roberts to remain, and any member who desires can also remain.

The committee adjourned to resume at 4 p.m.

AFTERNOON SITTING

The committee resumed again at 4.30 o'clock p.m.

The Chairman: We have been over the first page of the statement of the estimates of financial requirements, and we have the details before us now. If there are any questions to come up in connection with these items, they should be asked now.

Mr. Duff: Mr. Chairman, I was asking before the adjournment for some information about the railway from Sunnybrae to Guysboro. The chief engineer told us just before the adjournment that the rails had been purchased for the whole sixty-seven miles, and I would like to ask him if the sleepers and the iron bridges have also been purchased or contracted for.

Mr. Gzowski: Yes, they are purchased.

Sir Henry Thornton: They are available.

Mr. Duff: What about the iron bridges?

Mr. Gzowski: The majority of them are second-hand bridges.

Mr. Duff: You have sufficient bridges ready for the work to be completed?

Mr. Gzowski: Yes.

Mr. Heaps: How much has been laid?

Mr. DUFF: Twenty-three miles. I would also like to ask Sir Henry if, when chapter 34 of the Acts of 1929 was passed, in the year's estimates, or in the subsequent years' estimates, the amount required to complete this road was included?

Sir HENRY THORNTON: I am not sure I can identify that Act under that particular designation.

Mr. DUFF: That would be for the Sunnybrae-Guysboro Railway, chapter 34, 1929?

Sir HENRY THORNTON: I do not remember offhand. Mr. Gzowski or Mr. Hungerford could possibly answer that question, whether the appropriation carried the full amount necessary to complete the road, or whether it was just the amount intended for that year.

Mr. GZOWSKI: The whole amount included?

Mr. DUFF: The amount really has been voted by parliament—in the appropriations for the railway.

Mr. GZOWSKI: That is quite correct.

Mr. DUFF: There should be no question about finishing the road then.

Mr. HEAPS: If Mr. Duff is through asking about the original estimate for the construction of the roads, I would like to have a statement as to the prospects of this road being able to carry itself, and what the earning power of this proposed sixty miles of railway is?

Sir HENRY THORNTON: Mr. Heaps, the record on this subject is in Montreal, and I have telephoned for it; it will be here in the morning.

Mr. HEAPS: I will postpone any further questions until we have the report here.

Mr. DUFF: I may say that we had all that information before the Bill was passed in parliament.

Mr. HEAPS: There has been a great deal of water passed under the bridges since 1929.

Mr. DUFF: I suppose that is likely. The railway runs across the St. Mary's river.

Hon. Mr. MANION: I was wondering if I understood you to say that the full amount had been passed. Was that what I understood?

Mr. DUFF: If it had been arranged in the railway estimates after the Act had been passed by parliament—did the railway arrange for sufficient money?

Hon. Mr. MANION: Did he say yes?

Mr. DUFF: He did.

Hon. Mr. MANION: I do not think that is correct. I do not want Mr. Duff tackling me on the floor of the House for tying his railway up.

Mr. DUFF: I would like you to tie it together.

Hon. Mr. MANION: It will need some tying together from what I hear. The estimate was for three and a half million dollars, according to the Act: and it was to be done by what date?

Sir HENRY THORNTON: August, 1932.

Hon. Mr. MANION: That simply authorizes the building of that line at a cost of that much by 1932. It authorizes it. Up to the end of last year there was $2,411,000 spent which left $1,613,000 to spend. Now, the estimates this year were a million, and there is $613,000 of a balance which will be left for next year. I desire to straighten that out so that there will not be any misunderstanding.

Hon. Mr. EULER: You are forgetting the 15 per cent.

Hon. Mr. **Manion**: There is $4,025,000. That includes the 15 per cent. Then there is $615,000 for next year.

Mr. **Duff**: That is too late. I am trying to show Sir Henry Thornton and the minister that under the Act it must be completed.

The **Chairman**: Probably we can make more progress by having these items read out individually, and if there are any questions arising from each, we can go on with those questions. We are not making as much progress as I would like. Take the items one after the other.

Sir **Henry Thornton**: The first page represents the general and major items which make up the Budget.

The **Chairman**: There is an expenditure here of $68,000,000. The Bill is being looked into now. Are there any other questions in regard to these items?

Mr. **Bothwell**: In connection with that exhibit " U ", I would like to ask what work is proposed to be done on that Mawer, South West Branch. It is estimated at $20,000?

Mr. **Gzowski**: There is some fencing, and there are some buildings, and a few odds and ends. That is all.

Mr. **Bothwell**: That only carries the railway as far as Main Centre.

Mr. **Gzowski**: Fifteen miles.

Mr. **Bothwell**: And in connection with Neidpath-Swift Current, does that include freight sheds? $285,000?

Mr. **Gzowski**: No.

Mr. **Bothwell**: What work is included in that?

Mr. **Gzowski**: About one mile and a half of grading at the Swift Current end, and the first lift of ballast. That is as far as the money goes on that line.

Mr. **Bothwell**: I understood some time ago that in order to complete that road only $106,000 was required, including freight sheds?

Mr. **Gzowski**: You mean beyond the amount?

Mr. **Bothwell**: I do not know whether it was beyond that amount or not.

Mr. **Gzowski**: It was, of course.

Mr. **Bothwell**: There is no intention this year of connecting up with the C.P.R. in order to get that line in operation?

Mr. **Gzowski**: Yes, the track will be connected up with the C.P.R.

Mr. **Bothwell**: Will that put it in operation?

Mr. **Gzowski**: We can put it in operation, yes.

Hon. Mr. **Manion**: How much did you say it would require?

Mr. **Gzowski**: Well a limited operation—we provided for the first lift of ballast in that figure. It will not complete the line entirely, but we will be able to put it into limited operation. We will ask the board to give us limited operation. That means that it will probably specify certain miles per hour that we can operate over it.

Mr. **McGibbon**: May I ask, if I am in order, what will be the probable yearly expenditures on these roads for the next five years. I see there is a net expenditure here for annual requirements of sixty-eight and a half million dollars. There is the yearly requirement of $104,000,000. Will that be kept up, or increased or decreased?

Sir **Henry Thornton**: You are speaking now of what might be described as general additions and betterments chargeable to capital?

Mr. **McGibbon**: Yes.

Sir **Henry Thornton**: Expenditures?

Mr. **McGibbon**: Yes.

Sir HENRY THORNTON: The only way I can answer that question is in this way: that up until the present year we were obliged to incur enlargements, quite large capital requirements in order to bring the transportation machine known as the Canadian National Railways into a reasonable state of efficiency. Now, the major part of those expenses is behind us. I should say that the trend of capital expenditures on account of additions and betterments for the next five years will certainly be less than the preceding five years, or the five years just past. The trend of capital expenditures on this account should be decreasing rather than increasing.

Mr. McGIBBON: Could you make a guess as to what they would be annually?

Sir HENRY THORNTON: That is a pretty difficult thing to do off the bat, Doctor, without giving it some thought. I would much prefer before answering that question to discuss it with Mr. Hungerford and some of the others.

Mr. McGIBBON: That is quite satisfactory. What I had in mind—

Sir HENRY THORNTON: I do not want to give a running jump estimate which might turn out to be inaccurate. In any case it is a difficult question to answer.

Mr. McGIBBON: To my mind, the thing that has caused me a lot of worry in regard to rapidly increasing operations is the fact that there is only so much business to be done in the country, and it does not look as though, within the next five or ten years, it will increase very much outside of general betterments, now taking the large capital expenditures present, how far would you say it would increase that with reasonable safety?

Sir HENRY THORNTON: I do not think we ought to spend anything on capital expenditure not absolutely essential during the present period, or, in fact, at any time at all until we get into a position which will enable the Canadian National Railways to carry the interest on its capital investment with reasonable safety to the finances of the Dominion. You expressed anxiety, and I can quite understand your anxiety, and I can assure you and every other member of the committee that the officers and myself share that anxiety.

Mr. McGIBBON: I have not any doubt at all.

Sir HENRY THORNTON: I think it is only fair to say also that because there have been certain capital expenditures in the last eight years, that those capital expenditures are not going to proceed on anything like that scale for the next eight or ten years, because a great deal of this work which is represented by capital expenditures is over and behind us. The condition is very much like that of a man who has a house in a state of partial dilapidation, and he has to spend a little money to put it in a better state. He does that with the feeling of confidence that for ten years he will have a holiday; he will not have to make many repairs in his house.

Hon. Mr. EULER: Will that apply to the Montreal terminals? I think you have an item of $8,000,000?

Sir HENRY THORNTON: That is another thing which is a statutory appropriation, and that, of course, will have to continue. In that connection, when that is completed, as I have said before, and will repeat again, that investment will more than carry itself with reduction in expenses, and increased savings. There are many who disagree. There are some that look at $50,000,000 and say that is $50,000,000; it is spent, and you will not get a penny back. Most of them think of a large and handsome passenger station which will bring no return. On the other hand, I have tried to point out that there are certain very definite economies which will result from the construction of that station.

Hon. Mr. EULER: I think it would be interesting to have a little information on that.

Sir Henry Thornton: We have said over again; it was said before the Railway Committee at the time the appropriation was made, and it has been said since. Since you are on that subject—I do not want you to take my word for it—you may regard me as a prejudiced witness—but I would like you to hear what Mr. Hungerford has to say because he has had a large part in the completion of that arrangement, and he is charged with the expenses of the operating department. Perhaps you would like to hear Mr. Hungerford's viewpoint on the subject, briefly. So, if there is anything you would like, go as far as you please.

Mr. Hungerford: Well, so far as reduction of operating expenses is concerned, we are satisfied that there will be a moderate amount. The principal item of advantage in connection with the Montreal Terminals, particularly that portion relating to the Central Station, is the development of space for commercial buildings, that we are satisfied will bring a very handsome return.

There are about 550,000 square feet of space available on top of the railway itself, and with the valuation of the surrounding properties it runs into a very handsome figure. That will not be realized immediately, of course; it will depend upon the trend and direction of building; but it is a most desirable site in Montreal, perhaps the best, and with the development of the past few years, it seems but a few years until that will be wanted.

Mr. Hanson: After all, Mr. Hungerford, is not that only a collateral advantage and not an advantage which arises directly out of the railway management?

Mr. Hungerford: True, but we not unreasonably can expect that condition of affairs. It is on all fours with the development in connection with the New York Central in New York city, which we are informed bears a very high rate on their investment.

Mr. Hanson: You would not compare New York with Montreal?

Mr. Hungerford: But proportionately.

Sir Henry Thornton: An estimate was made some time ago, a summary of the tangible benefits accruing from the construction of the Montreal Terminals, and I will ask Mr. Hungerford if he has that in some detail, and if so whether he will read it.

Mr. Hungerford: No, I have not got it.

Sir Henry Thornton: I mean Mr. Fairweather.

Mr. Fairweather: I may say, I made a careful study of the economies of the Montreal Terminals and drew a picture as at the end of five years and at the end of ten years; because you will readily understand, in connection with such a large undertaking as this, it takes time to demonstrate the economies and the earning capacity of the capital.

Five years after the end of the construction of the Terminal and the co-ordination of the Canadian National facilities in and around Montreal, the estimate is as follows:—

Aerial rights	$500,000
Better passenger facilities	100,000
Co-ordination of freight facilities, a very important item	200,000
Electrification of the terminals, which will be made possible by the new terminal scheme	225,000
Additional freight, due to the fact that we will have thrown into intimate contact with our railways in Montreal industrial territory, particularly in the East end of the city where we are now at a very great disadvantage in servicing industry	900,000
Construction of the belt-line	95,000

That is only a partial estimate of the economies of the belt-line, because many of the other items are also reflected in that. That is, the $900,000 additional freight reflects a belt-line, and also the $200,000 from co-ordination of the freight facilities of the belt-line. But the economies at this point, in connection with the construction of the belt-line, reflect the economies in the transport of freight from one side to the other side of the City of Montreal by the construction of the belt-line. We will save $95,000 by that single item.

At the present time our office space is scattered all over the city of Montreal, and naturally there is a loss of efficiency from that.

The total is $2,205,000, as Sir Henry stated, at the end of five years.

Mr. HANBURY: That will be the yearly saving, at the end of five years?

Mr. FAIRWEATHER: Yes. At the end of ten years, if the trends which are indicated in the city of Montreal—I may say that I have examined those trends carefully for a period of thirty years in the past—are sustained, and I confidently believe they will, because I can see no reason why Canada is going to stop in the very measured degree of progress which she has had to date; and if that is continued, those economies and revenues accruing from the construction of the Montreal Terminals may reach a total of $5,500,000 yearly, which, as you will see, is nearly 10 per cent upon the invested capital.

That is from the railway point of view, but in addition to that, from the point of view of the country at large, there are other factors. For instance, to the city, there will be an estimated advantage of $200,000 a year, which is due to the elimination of traffic congestion inside the city, due to the fact that we have provided additional streets and have provided grade separation at the main traffic arteries by which business is handled.

Mr. HANSON: It will be interesting to know how you reduce those two terms to dollars and cents.

Mr. FAIRWEATHER: I can go into that.

Sir HENRY THORNTON: Yes, let us tell everything we know.

Mr. DUFF: We would be here all summer, wouldn't we?

Sir HENRY THORNTON: Thank you, Mr. Duff.

Mr. FAIRWEATHER: This question of aerial rights; as Mr. Hungerford says, there are some 550,000 square feet available for leasing; and I have made a careful study of the value of land in the City of Montreal. I have a graph in this pamphlet, which shows that, and I think it will be very interesting to the members of the committee.

Mr. HANSON: By aerial rights, you mean ground rights?

Mr. FAIRWEATHER: The leasehold value of the property which will not be actually used by the Canadian National Railways.

I have here a graph which shows a cross-section of real estate values in the City of Montreal, extending along St. Catherine and Sherbrooke streets, from Elmhurst, which is at the extreme westerly end of the city, through to the extreme easterly end of the city, where I have several streets here, Dickson, DeBoucherville and Gauthier.

The interesting thing is that in the vicinity of our Montreal Terminals the assessed value of land is $70 per square foot. That is the assessed value of the land.

I think, Sir Henry, perhaps if this were passed around to the members of the committee it would show very clearly the possibility of developing aerial rights.

Sir HENRY THORNTON: Have you additional copies of that pamphlet?

Mr. FAIRWEATHER: I have not got them here, sir. We can get them.

Sir HENRY THORNTON: I was wondering if the committee would like us to send and get, by to-morrow, a sufficient number of copies of it for the members of the committee to look over and then to formulate any questions they would like to ask in connection with that.

Mr. HANSON: I think Mr. Fairweather had better go on with the statement and we can perhaps grasp it.

Mr. FAIRWEATHER: The site of our new Central Terminal is located directly in the City of Montreal where real estate values are at their maximum in the uptown section. I may say that I got into trouble once before by quoting certain street locations in Montreal. Certain people in the real estate game promptly put my name in four-foot letters with the intention of showing how valuable their property was.

The intersection of Peel and St. Catherine represents the peak of assessed valuations in the City of Montreal, as $70 a square foot, in the uptown section. Our Central Station area is within a thousand feet of that; and as a matter of fact, the St. Catherine values directly opposite our station are $50 a square foot.

On land worth $50 a square foot you can develop aerial rights, because that represents a rental value of about $3 to $5 a square foot; and on a basis such as that you can develop aerial rights. Aerial rights, of course, cannot be developed on low class real estate, that would be folly; and even to claim that aerial rights would develop, for instance, down in our Bonaventure area, where land values run somewhere in the neighbourhood of $3.50 to $4 a square foot, would be ridiculous.

Hon. Mr. **Euler**: Just what do you mean by aerial rights, because we do not use that term up our way?

Mr. **Fairweather**: That is a right to construct a building over railway facilities.

Sir **Henry Thornton**: Perhaps I can make it quite clear, Mr. Euler, by this statement: We were obliged to buy a large area for the purpose of constructing railway facilities beneath the street level. It is quite feasible to impose above that street level buildings of any height that might be desired.

Hon. Mr. **Euler**: Like the New York Central Station?

Sir **Henry Thornton**: Precisely what the New York Central did in New York and possibly in Cleveland and other places. In other words, if you have to buy the property, you use what is underground for railway purposes and develop what is above ground for building purposes. That is a fair way of putting it.

Mr. **Fairweather**: In other words, you have to have high land values before you can have these aerial rights.

Sir **Henry Thornton**: High land values are indicative of desirability of location.

The **Chairman**: What was the area you mentioned?

Sir **Henry Thornton**: About 550,000 square feet.

The **Chairman**: According to that you have something about $35,000,000 of aerial rights.

Mr. **Hanbury**: Mr. Fairweather, is that assessed value the assessment of the Corporation?

Mr. **Fairweather**: No, that is the assessed value of the property. I am informed that they assess at approximately two-thirds of the actual value.

Hon. Mr. **Euler**: If it is not asking too much, could the committee have what it cost per square foot for this land?

Mr. **Heaps**: Could the committee have that, if it would not cost too much?

Mr. **Fairweather**: If you examine values in large cities, you will find that contiguous to high-class retail and financial districts, there are what are technically known as blighted zones, zones where because they have been neglected they have depreciated in value. The land, if it is made available by proper development, will become just as valuable as the better land.

Mr. **Duff**: As adjoining lands?

Mr. **Fairweather**: As the property which is adjacent to it and which has value. I can give one instance of it to my own knowledge from Detroit. The lower end of Woodward Avenue was a blighted zone, and that has been rejuvenated by the construction of modern buildings, and the people who did it, of course, reaped a very large benefit.

Similarly, you have a blighted zone in and around the ground of the Central Terminal in New York, at the time when the New York Central proceeded with their development work. That was a blighted zone.

Mr. **Duff**: That was a market place?

Mr. **Fairweather**: It was. And in Montreal, on the site of our terminal properties, you had a somewhat similar condition. Dorchester Street was an old residential street, parallel to St. Catherine Street, a street which was jumped over when the development went up from St. James to St. Catherine Street; it was sort of a backwater; and the result was that we did not pay anything like this valuation for the land when we purchased. But my statement is that having regard to the fact that that land is contiguous to the highest class real estate in the City of Montreal, with the provision of new streets and the supervision of the type of construction which will go up on that land, the property can be taken out of the category of blighted zone and be put into the classification of a high-class property. All these old and disreputable buildings are torn down.

I can give you another instance in Cleveland.

Mr. **McGibbon**: What Mr. Heaps asked, and which you are talking all around, is what you paid for it.

Mr. **Fairweather**: I do not know just what we paid for it.

Sir **Henry Thornton**: I think Mr. Brown can give you that information.

Mr. **Brown**: Of course there were various prices paid for the various properties, depending upon their location and the buildings around them. The average cost of the property on which the Central Terminal is being located was about $7.50 a foot.

Mr. **McGibbon**: Did that include the buildings on it?

Mr. **McMillan**: Could you give us what it cost in dollars?

Sir **Henry Thornton**: Mr. Brown will make a note of it.

Mr. **Heaps**: I noticed last week, when there were some expropriations in the City of Montreal, the prices were quoted as being much lower than what the people wanted. I have got what I wanted.

Mr. **Gray**: Sir Henry, is there any salvage from that part of the property, or did you just tear it down?

Mr. **Brown**: We got a certain amount of salvage in selling the old buildings, but that was a very small amount.

Mr. **Hackett**: That was negligible, was it not?

Mr. **Brown**: Yes.

Mr. **McGibbon**: What would be the cost of improving it per foot?

Sir **Henry Thornton**: The cost of improving it per foot, I suppose, would be whatever the railway facilities cost which will be built upon the property. I do not know that I could translate that into a figure per foot.

Mr. **McGibbon**: What is the cost of clearing this stuff off?

Mr. **Brown**: Oh, I could not give you the figures on that. I can get them. We were able to sell the buildings at a profit. We did not have to pay to have them torn down, as has occurred in some other cases.

Sir **Henry Thornton**: But the truth is that after all we break even on the proposition?

Mr. **Brown**: We more than break even, Sir Henry.

The CHAIRMAN: Does the assessment in Montreal take in land values and building values separately? Would it be possible when preparing the memorandum to give us the ground value or the land value?

Mr. LABELLE: It would be possible to do it off the actual rolls. But if you ask for a property which was bought, for example, in 1927, you will have to go to the city. All we have is the value of the land at the time. We could have all the values for this year and it may be for 1930 without applying for a special permit from the City.

Mr. DUFF: Would the buildings and lands be separate on the tax rolls?

Mr. LABELLE: When the bills are sent to the tax-payers, they have only the one sum; but when you go to the City for it you get it separately.

Mr. HEAPS: Could we get the assessed value of the property taken by the Canadian National? If you will get the total value of the assessment of the property which you purchased for the improvements, and then get the amount which you actually paid for it.

Mr. DUFF: The assessed value usually includes the building as well as the land.

Mr. HANBURY: Mr. Chairman, I understand that the $50,000,000 contemplates the construction of commercial buildings also?

SIR HENRY THORNTON: No, that only includes the station itself, which will be mostly under the street level; and superimposed upon that will be an office building in which will be housed all the office force of the Canadian National Railways, which are now scattered about Montreal in some ten or twelve buildings. That is the only building which the Canadian National proposes to build itself. The remaining surface area it proposes to lease to those who may wish to construct buildings upon it upon terms which we think will be profitable.

Mr. HANBURY: What about the freight facilities? Where will they be?

SIR HENRY THORNTON: They will be in the vicinity of Bonaventure, which is now known as the Bonaventure Passenger Station, and the property which we have occupied there for some years will be for freight houses, etc.

Mr. HANBURY: You contemplate erecting new buildings there, don't you?

SIR HENRY THORNTON: Can Mr. Brown answer that question?

Mr. BROWN: The freight building on the Bonaventure property is not included in this.

Mr. HEAPS: What will be the cost of that new freight building on the Bonaventure site?

Mr. BROWN: About $400,000.

Mr. HEAPS: When the value is ascertained as to the assessment and the amounts paid, those obtaining the information should obtain also the method of assessment by the City of Montreal; that is whether they assess land at half its valuation and the buildings at half, or at a higher valuation.

Mr. HANSON: Was there not an expropriation blanket plan filed on all this property?

SIR HENRY THORNTON: Speaking from memory, we realized that if this plan was revealed to the public generally prior to expropriation being filed, there would be an effort made certainly to raise the value of the properties unduly; whereupon, to protect the company, we filed expropriation plans for all the property which we proposed to buy in this vicinity and in connection with this project. Does that answer your question, Mr. Hanson?

Mr. HANSON: I thought you did?

Mr. MCGIBBON: Can you tell me about what is the total which you paid for the land which you now own in connection with that site in Montreal?

Sir Henry Thornton: We will have a note made of that and get that information for you for to-morrow or the next day.

Mr. Hanbury: Is it anticipated that there will be an over-expenditure of this $50,000,000?

Sir Henry Thornton: No, there is not any such anticipation.

Hon. Mr. Manion: Then the opinion of the late Minister of Railways was at fault, because he assured us that it would cost more than $80,000,000. He is on record, as far as that is concerned.

Sir Henry Thornton: I am not aware of what the late Minister of Railways may have said. We have only our engineer's estimates.

Mr. Hanson: You know what the record has been, for instance, in connection with the harbour at Montreal?

Sir Henry Thornton: I would not like to be classified with that. What evidently is in the minds of many of the members is that this estimate for the Montreal Terminals is just a pass estimate which is open to all of the frailties and alterations which sometimes accompany engineers' estimates. But, as far as this particular case is concerned, Mr. Hungerford, Mr. Brown and myself were personally involved in this matter, and our personal reputations were at stake; and we were exceedingly careful in the preparation of these estimates, to be perfectly sure that we were on the safe side; and I can state to this committee, and I believe Mr. Brown and Mr. Hungerford will bear me out, that the amount named represents what this terminal is going to cost, and nothing more.

Hon. Mr. Manion: My remarks were based entirely upon the speech made by the late Minister of Railways at the time the vote for the $50,000,000 was made.

Sir Henry Thornton: That may be; but all that I can say is that if the late Minister made that statement I disagree with him.

Mr. Cantley: In buying, did you buy only what you needed for your present plans?

Sir Henry Thornton: Generally, that might be answered in the affirmative. If we had bought only what we wanted, the price would have been quite beyond reason. I wonder if Mr. Brown could answer that question?

Mr. Brown: We have avoided the severance in some cases, as being more reasonable and economical and have taken the lot. We believe we will be able to get a salvage from those severances here and there which we secured. You understand that in putting a line through a city, you cannot lay it down according to the sub-division of lots in the city, but you have to go according to the line of the railway, and sometimes you will take half or three-quarters of the lot, and then when you settle with the owner you find it advantageous to take the whole of the lot rather than to settle for damages for the remainder.

Mr. McGibbon: Were there any other estimates made, Sir Henry, than that by yourselves?

Sir Henry Thornton: I think almost everybody in Canada has made estimates about the Montreal Termini. The only estimates that we are prepared to stand by are the estimates of our own engineers, and I am not sure whether those were checked by any outside engineers, by outside opinion, or not.

Mr. McGibbon: Did Mr. Comar go over the estimates?

Sir Henry Thornton: He went over the estimates in a general way, and my recollection of his experience is that he is one who has some knowledge of Montreal, because he has been in Montreal several times; and he recommends the estimates as being satisfactory.

Mr. **Beaubien**: Mr. Chairman, if we are through with the Montreal Terminal, may I ask a question in regard to Exhibit U, Western Region, that is the $3,020,000; does that include the amount of money you are going to spend in the Western Region on the railway lines?

Sir **Henry Thornton**: Yes.

Mr. **Beaubien**: I understand that the railways are making a survey for a so-called cut-off?

Mr. **Gzowski**: A survey has been made and a report was made to the Department.

Mr. **Brown**: Surveys have been made.

Mr. **Beaubien**: Will that report be a public document?

Hon. Mr. **Manion**: It will be a public document. I have not seen the report as yet. I asked them to make a report, but that was done for the Government and not for the railway itself. It was done at my request. The Deputy tells me he has the report, but I have not seen it. It is very recent.

Mr. **Hanson**: Have we finished with A, B, C and D?

Mr. **Heaps**: Mr. Chairman, you suggested earlier in the afternoon that the committee take them up item by item. We have been jumping around, and I suggest that if we kept within the terms of your ruling we might make better headway.

The **Chairman**: If Mr. Fairweather will read out item by item, we will get back to where we should be.

Mr. **Hanbury**: Mr. Chairman, does the Montreal Terminal come among these items?

Hon. Mr. **Manion**: Yes, it is at the bottom, under statutory.

Sir **Henry Thornton**: Mr. Hanbury, at the bottom you will find under By Statute, the Montreal Terminals $8,000,000.

Mr. **Hanbury**: In the year's estimates you provide for $8,000,000. What is the total amount expended to date?

Hon. Mr. **Manion**: $8,000,000 last year, I think, is the figure to the end of 1930.

Sir **Henry Thornton**: $8,614,497.31.

Mr. **Hanbury**: How long will it take to complete the work?

Sir **Henry Thornton**: That depends upon our speed. Originally we had hoped to get it finished in four years. My recollection is that the estimate was five years, but we hoped to beat that by a year. Now, with conditions as they are and with the situation which confronts us, how fast we will proceed must necessarily depend upon the financial position of the railway and the government. That is about the only answer I can give you.

Mr. **Hanbury**: Can you tell us what proportion of the dollar expenditure so far has been for labour?

Sir **Henry Thornton**: Necessarily, for the first year, the largest expenditure would be for real estate, and that is represented by $6,500,000. Now there is grading and bridges, elevated structure and track laying, surfacing and so on, all of which represent a large amount of labour; as to how much is labour, I do not know. How many men, Mr. Brown, do you suppose to-day are employed on the Montreal Terminals?

Mr. **Brown**: I think in the neighbourhood of 1,200.

Mr. **McGibbon**: Are you doing it by day's work?

Mr. **Brown**: No, practically all the work is being done by contract.

Mr. MacMillan: Somebody made the statement that the valuation of this land is $70 per square foot, and that other lands in this area are worth $50 per square foot.

Mr. Fairweather: What I said was that the assessed value of land on St. Catherine street, within 1,000 feet of our Central Station and within less than 500 feet of the fringe of the territory which we own, has an assessed value of $70 per square foot. I also said the land on St. Catherine street immediately north of our Central Station property had an assessed value of $50 a square foot.

Mr. MacMillan: What frontage would you have along there?

Mr. Fairweather: Our frontage on St. Catherine street is very small, in fact I do not think we have any, but down at Cathcart street we have a big block extending from there across to St. Antoine street. St. Catherine street is one short block away.

Mr. MacMillan: What would be the length of that?

Mr. Brown: About 650 feet.

Mr. Fairweather: I think what is wanted is the distance from St. Catherine street to Cathcart street, and that is less than 200 feet. Cathcart street parallels St. Catherine street.

Sir Henry Thornton: Mr. Fairweather referred a moment ago to the increase in the value of property adjacent to passenger stations and public buildings, and he gave you some examples of that. I have an example in mind which may be of interest to you. Some years ago, some decades ago, the Pennsylvania Railroad moved their general offices from Third street, which is down in the business heart of the city, what would correspond to the St. James street district in Montreal, to the corner of Broad and Market streets. They moved all of their offices up there and put them in what is known as their Broad Street Station, enlarging the station for that purpose. Broad street would correspond to Sixteenth street, so that it was thirteen blocks away. Up until that time, it was a semi-residential and semi-business district; it was neither one nor the other. Properties were of no particular value, and there were no banks or business houses to speak of in that vicinity. To-day the area within three blocks of that station is covered with important office buildings and banks, and to a very measurable degree the financial district, the business district of Philadelphia has moved from Third street up to Broad street, with the corresponding increase in the value of the station properties. That is merely an illustration of what happens in large cities when an important structure is built in any particular district.

Now, we anticipate that something pretty much of the same kind will happen in Montreal, and that upon the completion of this passenger station and the completion of the Sun Life Building—because just adjacent to our passenger station the Sun Life is building a very large and handsome building, and we anticipate to a very measurable extent the financial district will move from St. James street to somewhere in the vicinity of our new station. That has been the history all over the world. You will find the same thing taking place in New York. You will find the uptown district around the old Waldorf building, upon the site of which has been built the New Empire building, and that office buildings and banking institutions are putting offices there which twenty years ago were never dreamed of.

The Chairman: Are there any questions which you desire to ask in respect to the Eastern Lines requirements? Let us get through these items.

Sir Henry Thornton: The next item after that. Go ahead, Mr. Fairweather. We have read all of these off, and it is just a question of the members of the committee asking for detailed information.

Mr. FRASER: What about the Northern Alberta railways? What is that item for?

Sir HENRY THORNTON: Mr. Fairweather will answer that question by reading off the items which represent the amount to which you have referred.

Mr. FAIRWEATHER: It is understood that we are only 50 per cent proprietors of the Northern Alberta railways. Here is a statement of the proposed capital expenditures on the Northern Alberta railways in 1931. They total $352,973, which is just twice the amount indicated in our budget; and that is made up of right-of-way, $14,500; bridges, trestles and culverts, $83,000; right-of-way fencing, $26,550; crossings, $7,000; roadway buildings, $3,300; water supplies, $26,000; station ground, $8,000; raising grade at Swan River crossing, $10,000; equipment, and general unforeseen, $75,000. That is the total capital expenditure provided.

Mr. HACKETT: Is that the railway which you bought with the Canadian Pacific railway?

Sir HENRY THORNTON: That is the railway which we bought jointly with the Canadian Pacific railway.

Mr. FRASER: Did I understand that you said something about right-of-way?

Mr. FAIRWEATHER: The right-of-way is $14,500.

Mr. FRASER: What extensions are contemplated there?

Hon. Mr. EULER: That involves the whole Peace River question.

Mr. FRASER: Oh, no, that does not involve the Peace River question.

Hon. Mr. MANION: Before you get away from the Northern Alberta, would you mind telling us what were the operating expenses and revenue of the two railways after purchasing that road?

Mr. FAIRWEATHER: The operating results of the Northern Alberta railway for 1930 were:—

Operating revenue	$2,253,739 27
Operating expenses	1,952,389 70
Railway tax accruals	22,000 00
Railway operating income	278,000 00
working down to a total operating income of	271,000 00

And then, after deductions for interest, net income—

Hon. Mr. MANION: I did not want all that detail.

Mr. FAIRWEATHER: In 1930 the loss was $1,027,904.12, with the Canadian National Railways' 50 per cent portion of that being $513,952.06.

Mr. FRASER: Was there an operating profit?

Sir HENRY THORNTON: Yes.

Mr. McLAREN: $301,349.57.

Mr. FRASER: Are you sure that is not gross revenue?

Hon. Mr. MANION: There is something wrong about that.

Sir HENRY THORNTON: What was the net revenue or difference between gross earnings and expenses?

Mr. McLAREN: $301,349.57.

Mr. FRASER: So that it paid its operating expenses and a little more.

Sir HENRY THORNTON: By $301,000 odd.

Mr. FRASER: Was there an increase of operating revenue for the year?

Sir HENRY THORNTON: There was an increase of $21,500.

Mr. FRASER: How many miles of new road did you construct last year?

Hon. Mr. MANION: Where then did you get your $1,000,000 loss?

Mr. Fraser: Interest.

Hon. Mr. Manion: The purchase price was only around $8,000,000, was it not?

Mr. Fraser: No, some $26,000,000.

How many additional miles of road did you build last year?

Sir Henry Thornton: Sixty-five miles.

Hon. Mr. Euler: I suggest that we follow the Chairman's original idea and proceed down the list and clean up as we go along.

The Chairman: I was trying to bring you to it, when I asked you if there were any questions to be asked in respect to the Eastern Lines. If you are through with that, we will pass on. That is in the middle of the large appropriation of $68,000,000.

Sir Henry Thornton: You will find an item of Eastern Lines Requirements.

Hon. Mr. Euler: Take for example other financial requirements such as the acquisition of securities, $150,000. Have we a hotel in the West Indies, and where?

Sir Henry Thornton: No. That is represented by a second mortgage on the hotel property of $150,000, and that was authorized by Order in Council December 6, 1930.

Hon. Mr. Manion: May I point out to the committe, since the date is given, that that arrangement was made before this government came into power.

Mr. Heaps: You do not have to apologize.

Hon. Mr. Manion: Unfortunately, I have to apologize, because the hotel is broke.

Mr. Hanbury: What is the investment? Where is this investment?

Hon. Mr. Manion: We are only part holder. Jamaica has an investment in that hotel of about $300,000, wasn't it, Sir Henry?

Sir Henry Thornton: $200,000.

Hon. Mr. Manion: They put more in later—$75,000.

Sir Henry Thornton: Yes, they did.

Hon. Mr. Manion: They have put $375,000 on a first mortgage, and the Canadian National Railways pledged itself before we came into power at all to go into it. Frankly, I do not mind saying that if it had not been for the pledge of the Canadian National Railways we would not have agreed to it; but the Jamaica Government being associated with them, we thought it was more or less of a governmental responsibility, and we agreed to advance the money, and that is why the Order in Council was passed. Unfortunately, apparently business has not been good in the hotel, and the hotel is to-day in financial difficulties.

Sir Henry Thornton: The hotel is suffering, along with everything else in the world. We went into the thing primarily on account of our steamship services—the run down to Kingston—and also the fact that the United Fruit Company, an important competitor in the matter of banana shipments, were largely interested in another hotel.

The Jamaica government was exceedingly anxious that there should be another hotel built at Constance Springs. That is some six hundred feet above sea level, and is cool and agreeable, and an altogether desirable place for a hotel. So, having regard to our commitments in the so-called "Lady Boats," and the further fact that the Jamaica government were willing to put up some $200,000 more to secure the hotel there, we recommended to the government that we should also assist in the proposal, and we did, as Dr. Manion has explained.

Mr. Heaps: Who operates the hotel?

Sir Henry Thornton: The hotel was under the operation of the United Hotel Company who also put a large amount of money into it. I do not remember how much, but I think it was something like $300,000.

Hon. Mr. Manion: I think it was $50,000.

Sir Henry Thornton: They put in a substantial amount. They guaranteed the interest held by the Jamaica Government.

Mr. Hanbury: The Jamaica government is first security?

Sir Henry Thornton: Yes.

Mr. Hanbury: Was that arrangement made between the Jamaica government and the government, or was it made by the Canadian National Railways with the Jamaica government?

Hon. Dr. Manion: The government had nothing to do with it.

Sir Henry Thornton: I do not think the government had anything to do with it. It was not this government. It was the previous government.

Hon. Mr. Manion: The obligation was made on the representations of the Canadian National Railways.

Sir Henry Thornton: It was made on the representations of the Jamaica government to the officers of the Canadian National Railways. We in turn discussed the matter, and then presented the proposition to the government of the day. Don't imagine for a moment that the Canadian Government has any obligation in this thing at all.

The Chairman: It is the road's responsibility.

Hon. Mr. Euler: The next item is a very big one, and is in detail in exhibit "F." I think we might look at that. It is for an amount of $20,000,000.

Mr. Hackett: Is the company interested in any hotels other than this one, outside of Canada?

Sir Henry Thornton: No.

Mr. Hackett: I know something of the hotel Scribe.

Sir Henry Thornton: The Canadian National Railways is interested in no other hotel beyond the frontiers of Canada than this hotel at Jamaica.

Mr. Hackett: The premises that it owns outside of Canada are office buildings.

Mr. Heaps: If we are going to go outside of these items here, we are wandering away again. There may be a time when that question can be asked; but I think we had better stay with the original intention of the chair.

The Chairman: I have tried not to be too strict in regard to that; I think it is a legitimate question.

Mr. Heaps: The question has been asked and answered. I am just suggesting that—

Mr. Hackett: It is very kind of you not to have stopped the question from being answered.

Mr. Heaps: It is very kind of you to ask the question; we appreciate it very much.

The Chairman: If that is the only question that is to be asked regarding this hotel proposition, we will pass on, and we will take up Exhibit "F" covering the $20,000,000 item.

Hon. Mr. Euler: $8,000,000 for the Central region.

Sir Henry Thornton: No. $5,973,000.

Mr. Fraser: You have been trimming this already?

Sir Henry Thornton: The original budget was submitted. Some question was raised touching on it at a previous meeting as to whether the executive officers of the railway company exercised any supervision or restraint with respect to requests for capital requirements over the regions, and I ventured to put down here an exhibition of that restraint. The budget was originally submitted, and it represented what the region regarded as its minimum requirements—$7,969,000. The executive officers at Montreal reduced that by $2,000,000 approximately; so that the budget as it now stands for the Central region, and which is before you, is in round figures, $6,000,000.

Mr. Hanson: I think I was the one who suggested that.

Sir Henry Thornton: I do not want to lay that at your door particularly.

Mr. Hanson: I am not ashamed of the suggestion.

Sir Henry Thornton: I am not ashamed of the result either.

Mr. Hanson: I am going to go a little further. You had originally a budget of $30,000,000 capital expenditure for additions and betterments for the year 1931?

Sir Henry Thornton: That is right.

Mr. Hanson: I am assuming that in any great organization such as a national railway there will always be some capital expenditures?

Sir Henry Thornton: That is true.

Mr. Hanson: But having regard to the fact that we have a vote of sixty-eight and a half million dollars for the annual requirements for 1931 which will be exceeded by $10,000,000—at least I have heard that—and that the total net requirements over and above your income will be $104,208,000—perhaps $10,000,000 more than that—is it not possible to cut this still more for this year?

Sir Henry Thornton: I suggest in answer to that you turn over to the next page where you will see the details of that amount that has been requested, namely, some $6,000,000, and go over item by item, and we will discuss it, and you can see how you feel about it. All I can say is that the total capital budget for the Central region of approximately $6,000,000 represents the minimum which the executive officers and myself think we can safely go to. Now, this committee may think differently; at any rate there is each item exposed on the following sheets. They have been gone over carefully by the engineering and executive officers, and they represent the recommendations of the railway company. I may say also that naturally and quite properly all of this was discussed with the department.

Mr. MacMillan: At what time in the year would the figure $7,969,205 be received by the head executive?

Sir Henry Thornton: I should say in the first two months of the year.

Mr. MacMillan: The reductions would be arrived at at what time?

Sir Henry Thornton: About April.

Mr. Gray: Is this the proper place to talk about certain capital expenditures? Might I ask what is the cost of the London Terminal station?

The Chairman: I would prefer very much if you want to go into the details of this to start at the beginning.

Mr. Gray: We are doing it.

The Chairman: I did not think London came in?

Mr. Gray: Yes. It is the Central region.

Hon. Mr. Euler: We are following your plan, I think Mr. Chairman.

Mr. Heaps: Mr. Chairman, if we could get a rough idea as to how this $5,973,000 is made up?

Sir Henry Thornton: It is all on the following page.

The CHAIRMAN: It is under Exhibit "G".

Mr. GRAY: You are working on the London Terminal now?

Sir HENRY THORNTON: Mr. Hungerford can give you an answer to that question, or Mr. Brown.

Mr. BROWN: We are working on the grade separations.

Mr. HUNGERFORD: We are building two subways at the present time.

Hon. Mr. EULER: You have a million and a half for grade crossings by subways.

The CHAIRMAN: That is on the second page, down about ten items.

Mr. GRAY: I would like to find that out. I would like to know what is included in this year's estimate for London?

Mr. HUNGERFORD: I do not think we have it. It will be included in this million and a half.

Mr. GRAY: Does it include a new station for the City of London?

Mr. HUNGERFORD: No, not this year.

Mr. GRAY: I was hoping you were working westward, and would start at Hamilton and London and be in Sarnia next year?

Mr. HUNGERFORD: We are looking in that direction.

Mr. MACMILLAN: Starting at the top of that page, "Belleville Division, Hornepayne Division, Oakville Sub-division," there is new steel being laid amounting to about $640,000?

Sir HENRY THORNTON: That is right.

Mr. MACMILLAN: Is the old steel inadequate?

Sir HENRY THORNTON: What has happened is this: we made a careful investigation, which is still in progress, of the internal fissures in our steel rail on fast passenger lines through what is known as the Sperry Detector car. That is a car which, by an electrical process, registers concealed defects in the head of the rail. Sometimes in rolling a rail, or after it is in use, internal fractures or fissures will be detected which cannot be detected in any superficial examination of the rail. The railways generally have employed a device known as the Sperry Detector car, which, by an electrical device—there is no good of my explaining it, because it is highly technical—indicates where those defects are to be found. Well, we ran that car between Montreal and Toronto over our present one hundred pound rail, and we found a surprising number of hidden defects. Now, those defects do not always result in a wreck, but they are potential causes of wrecks.

Mr. CANTLEY: Maybe.

Sir HENRY THORNTON: Maybe. So that, having degard to that condition, we decided that in the interests of safety and good maintenance, we should commence relaying that rail, which is now one hundred pound rail, and replacing it with one hundred and thirty pound rail. That is in accordance with the practice of the best railways. In fact, many other railways are going much further, and, I think, are laying rail as high as one hundred and seventy pounds to the yard.

Mr. HUNGERFORD: Yes, that is true in a few instances.

Sir HENRY THORNTON: Now, there is also an economy which results from the heavier rail in that it reduces the cost of maintenance. The more rigid the steel; the more nearly it comes up to requirements of constantly increasing axle loads, the greater economy; so that, having regard for both economy and safety of traffic, our officers decided, and I was fully in accordance myself, being something of an engineer, that that should be done, and that represents the reason why we are renewing the rail to which you have referred.

Mr. **Hanson**: Having regard to your financial condition this year, would it be possible to divert that?

Sir **Henry Thornton**: We do not think so. That is largely a technical question. Our engineering officers are not prepared, nor is the vice-president in charge of operations, to take the responsibility of continuing that one hundred pound rail track. I would like you to hear a brief statement from Mr. Hungerford on this matter. After all, he is the head of the operating department, and is primarily responsible for it.

Mr. **Hungerford**: I think the committee should clearly understand that in re-laying steel, we only do so when the old rail is worn out for that particular class of railway. We are not making the change for a changes' sake, but, because the old rail is no longer serviceable for that class of service. These things are gone over very carefully; and I would like to say this in regard to the item constituting the total for the Central region budget that Sir Henry referred to as being the original budget—that is residue—this is boiled down through the requests that come to us, in the first instance, for millions of dollars more. The first figure will be shown on the preceding budget, and represents what we first boiled it down to. Then subsequently when the financial condition became worse, we cut it still further; but the reversal of rail that is provided for in the budget is undoubtedly required.

Hon. Mr. **Euler**: Is the same true of the million and a half item for subways, or is that something that one might say might be diverted without any great disadvantage to the road?

Mr. **Hungerford**: In practically every case they are covered by orders of the Board of Railway Commissioners. We are compelled to put them in.

The **Chairman**: In this one hundred and thirty pound rail partly due to the faster trains that are being moved over this particularly fast road?

Sir **Henry Thornton**: No, it would have to be renewed in any case; but I may say that the American railway technical men figure on an economy of five hundred dollars per annum per mile of rail of one hundred and twenty pounds rail per yard, as compared with one hundred pound rail per yard. That is to say, a stretch of track laid with one hundred and twenty pound rail as compared with that same stretch laid with one hundred pound rail results in an estimated economy of five hundred dollars per mile. Of course, on lines where there is a density of traffic such as you have between Toronto and Montreal,——

Mr. **Hanbury**: And taking into consideration the investment.

Mr. **Hungerford**: I would like to add for the information of the committee that this one hundred and thirty pound section was decided upon jointly with the Canadian Pacific for heavy main line requirements, and we agreed upon a uniform standard, and they are proceeding to utilize this rail under similar conditions.

Hon. Mr. **Manion**: The question has come up many times and will come up many times more—Mr. Duff has brought it up in regard to the Guysboro Railway, and others will bring it up in connection with other capital expenditures—about certain things being cut off. Sir Henry has explained to you that the figures are given here. They were originally at a higher figure, but they gradually cut them down. I may say that in the cutting down of these figures the government was wholly in accord with the railway management, because the government felt that $104,000,000 of expenditure for the railway were at least sufficient for one year under the present circumstances. I may say further that so far as the cutting down was concerned, it was done by the railway officers themselves in a large measure, and practically altogether. It was not done on political grounds at all. I just mention this because, from time to time, somebody will question this, and I am sorry to say I may not be here to-morrow.

Mr. Duff: Did you say $104,000,000 increased expenditures?

Hon. Dr. Manion: I mean one hundred and four millions of estimates which will have to be raised by guaranteed securities—$20,000,000 of betterments, $31,000,000 deficit on interest and so on, and that $31,000,000 will probably be increased. In view of the heavy deficit, and in view of the present business condition, and the decreased earnings of the railways, in view of all that, the government felt, and I think properly, that $104,000,000 was plenty to spend. It wasn't done with any desire to cut out capital expenditures in this constituency or in that.

Sir Henry Thornton: I would like to add this statement to what the minister has said: so far as the railway company is concerned we had no difference of opinion with the government whatsoever; but certain circumstances confronted us, and we sat down together, jointly, and tried to meet them. As far as this budget is concerned, I am assuming my full responsibility, and all of our officers assume their full responsibility for it, and we are fully in accord with the minister.

Hon. Mr. Manion: The reason I mention this is because there were requests for vast amounts of money to be spent on stations, bridges, branch lines and so on. I have given the figure in the House. I got these amounts figured up—and they amounted to $200,000,000 worth of requests. Those who do not get their branch lines or stations are feeling rather disappointed. You hear references in the House to Riviere du Loup station and others. I simply mention it, because I think the committee, as Members of Parliament representing the shareholders of this railway, and representing the taxpayers must appreciate the responsibility of the government, because they are responsible in a way just as the government is responsible for this vast amount of money.

Mr. Duff: We also appreciate our own responsibilities, as well as the government. I would like to ask a question right there.

Hon. Mr. Manion: I hope you do.

Mr. Duff: Certainly we should. We have just as much reason to be responsible as anyone else.

Mr. Macmillan: We have to pay for it.

Mr. Duff: The Minister of Railways said this was increased expenditure this year. Along that line, Sir Henry, would you be good enough to give me the amount of the estimate made up similar to this last year?

Sir Henry Thornton: The net increase in capital expenditures is $51,100,000.

Mr. Duff: I do not mean that. You had an estimate similar to this last year. What would be the amount as compared with this $104,000,000?

Sir Henry Thornton: I will have to look that up.

Hon. Mr. Manion: I used the wrong expression when I said "increased expenditure"; what I meant was expenditures for which securities will have to be used. I should not have used the word "increased".

Mr. Fairweather: Mr. Duff wants a figure for last year comparable to $104,000,000?

Mr. Duff: Yes; and at the same time give me the amount of the deficit from last year which might be included in this estimate this year.

Mr. Fairweather: There is no deficit from last year included this year. There was a supplementary—

Mr. McGibbon: I would like to ask Sir Henry how many years he thinks we can go on spending $100,000,000 a year and still keep these railways.

Sir HENRY THORNTON: A certain amount of this $104,000,000 is refunded. Now, you have raised a very interesting question, Doctor, and I would like to answer it, and I can perhaps express it best in this way: in the year 1928 the gross revenues of the Canadian National Railway were—if I recall the figure correctly—$304,000,000; the net earnings of the company, which is to say the difference between expenses and revenues—as I again recall the figure—were about $58,000,000. Again, as I reall the figure, we earned about $8,000,000 in excess of the interest on our funded debt in the hands of the public. If and when the gross revenues of the Canadian National become $300,000,000—I will use the round figure—the net earnings of the company will be $75,000,000.

Mr. MACGIBBON: Why? How do you arrive at that? How do you arrive at the increase—by decreasing your operating costs?

Sir HENRY THORNTON: By decrease in operating costs. Now, curiously enough, I was discussing this matter with some of our officers at lunch time, and I would be prepared to say that when our gross revenue returns to approximately what it was in 1928, we will be earning approximately $20,000,000 per annum more than is necessary to meet the interest on our funded debts in the hands of the public. I should also say that when our gross revenues are, say, $275,000,000 or nearly $30,000,000 less than they were in 1928, we will be earning to apply on the interest in hand—on securities in the hands of the public—somewhere in the neighbourhood of sixty to sixty-five millions of dollars. The answer to your question depends entirely upon the business conditions of Canada, and the conditions that obtain in the whole world.

Mr. MCGIBBON: Exactly. But there is only so much business, and the more you pile up your capital expenditure it looks as though it means the less will be your net receipts.

Sir HENRY THORNTON: I tried to explain a little while previously that I did not at all expect the increase in capital requirements to proceed on the same scale and at the same rate of increase as they have in the last eight years.

Mr. MCGIBBON: Or even the present year?

Sir HENRY THORNTON: Well, perhaps the present year.

Mr. MACMILLAN: Why is it that in discussion we always hear this statement: people always talk about the volume of indebtedness of the railway in the hands of the public. Why is it that the amount of money owing to the government is never taken into consideration at all?

Sir HENRY THORNTON: The amount by which we fall short of earning the interest on securities in the hands of the public means that that represents an out of pocket expense for the government in that year. The government has got to go down into its jeans and put that much money on the table. The rest of it, to a certain extent is bookkeeping.

The committee adjourned to meet Wednesday, June 24th, at 11 o'clock.

SESSION 1931

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 9

WEDNESDAY, JUNE 24, 1931

WITNESSES:

Sir Henry W. Thornton, K.B.E., President of the Canadian National Railways.

Mr. S. W. Fairweather, Director, Bureau of Economics, Canadian National Railways.

Mr. J. B. McLaren, Comptroller, Finance Department, Canadian National Railways.

Mr. S. J. Hungerford, Vice President, Operation and Construction Department, Canadian National Railways.

Mr. D. E. Galloway, Assistant Vice President, Canadian National Railways.

OTTAWA
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1931

ORDER OF REFERENCE

WEDNESDAY, June 24, 1931.

Ordered,—That the Estimates respecting the Canadian National Steamships and the Maritime Freight Rates Act, presented to the House on the 13th April, be referred to the Select Standing Committee on Railways and Shipping, owned, operated and controlled by the Government, and that the Order referring the same to the Committee of Supply be discharged.

Attest.

(Sgd.) T. M. FRASER,
For Clerk of the House.

MINUTES OF PROCEEDINGS

WEDNESDAY, June 24, 1931.

The Select Standing Committee on Railways and Shipping, owned, operated and controlled by the Government, scheduled to meet at 11 a.m., and later postponed to meet at 3.30 p.m., and further delayed by a division in the House, came to order and opened proceedings at 3.50 o'clock, Hon. Mr. Chaplin, the Chairman, presided.

Members present: Messrs. Beaubien, Bell *(St. Antoine)*, Cantley, Chaplin, Duff, Euler, Fraser *(Cariboo)*, Geary, Gobeil, Gray, Hanbury, Hanson *(York-Sunbury)*, Heaps, Kennedy *(Peace River)*, McGibbon, MacMillan *(Saskatoon)*, Power and Rogers, 18.

Mr. Beaubien made some remarks respecting the length of time the Committee had been considering the annual report and estimates of the Canadian National Railways, and suggested that the Committee consider Bills 79 and 83, and after consideration have same reported to the House. Discussion followed the suggestion, and developed into a general discussion on expenditures.

Grand Trunk Western and Central Vermont railways were discussed. Mr. Hungerford, Vice-President, Operation and Construction, was requested to explain matters in this connection.

Mr. Duff moved, seconded by Mr. Cantley:—

That the Annual Report of the Canadian National Railway System for the year ending December 31st, 1930, and the Estimates of the Canadian National Railways for the year ending December 31st, 1931, be received and adopted.

Carried by show of hands.

Mr. Fraser asked a number of questions in connection with the steamship service on the Pacific coast, which were answered by Sir Henry Thornton and officers of the Canadian National Railways staff, in detail.

Some discussion respecting Northern Alberta Railway; questions in this connection answered.

Questions in regard to capital stock of the System, and stock held by the public, answered.

Discussion in detail respecting radio equipment and radio broadcasting of Canadian National Railways.

Statement by Mr. Hanson, expressing his views on the railway situation, after which,

Mr. Hanson moved, seconded by Mr. Duff:—

That Bill 79, referred to the Committee by the House, be reported without amendment; carried.

Mr. Hanson moved, seconded by Mr. Duff:—

That Bill 83, referred to the Committee by the House, be reported without amendment; carried.

Bills to be reported.

It being after six o'clock the Committee adjourned to meet again to-morrow, Thursday, at 11 o'clock, a.m.

E. L. MORRIS,
Acting Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons, Room 368,

Wednesday, June 24, 1931.

The Select Standing Committee on Railways and Shipping met at 4 o'clock, p.m., Honourable J. D. Chaplin, the Chairman, presiding.

Mr. Beaubien: Mr. Chairman, before the committee proceeds, may I be permitted to make a suggestion? And before making my suggestion, I might ask the committee's permission to preface my suggestion by a few brief remarks.

Mr. Hanson: Don't make a speech.

Mr. Beaubien: I am talking to the Chairman. This committee started to sit on the 8th June. We have gone through the estimates of the Canadian National Railways, so far as the railway is concerned, and we have gathered a great deal of information, and every member of the committee is convinced that Sir Henry Thornton and his officials are acquainted with the conditions as they exist. Also, we are keeping these officials here. We have kept them here for a good deal of time at a great expense to the Canadian National Railways and also to the detriment of the railway itself.

There is a Bill No. 79 before the House, and also Bill 83, and in view of the information which we have gathered and the acquaintance which the officials have of the situation, I think that this committee ought to be satisfied to go on and consider these two Bills and report them back to the House and let the House pass these Bills as soon as possible, in order to give the Canadian National Railways the advantage of carrying on their year's operations, float their securities and be able to carry on as they have done in the past.

I do not think any good can come of any further enquiry. We have to depend upon Sir Henry Thornton and his officials, and there are also fifteen directors appointed by the government for the Canadian National Railways, and we have a Minister of Railways. I do not think any good can come out of keeping Sir Henry Thornton and his officials here any longer than we have kept them. I do not think we can get any further information than we have obtained. Sir Henry and his officials have told us that the least amount they can get along with is the amount given in their estimates here; probably they might be able to cut that down by a percentage. Half of the year is gone, and the Canadian National has not authority to go on and float their issues, etc. I think we should leave these estimates and pass these Bills as soon as possible — one of them was introduced on June 2nd, and the other on June 10th—and go on and enquire in regard to the shipping on the Canadian National Railways and get such information as we can; and I make that suggestion in good faith.

I suggest that we take up Bill 79 and Bill 83 and report them back to the House and let the House pass the Bills, and then the Canadian National Railways can go on.

Mr. Duff: I would agree with that suggestion, except if some member of the committee has some special matter which he wants to discuss. I would not shut it off; if it is just a general discussion, I would agree with what has been said.

Mr. Hanson: What are the Bills about?

Mr. **Beaubien**: They have both been referred to this committee by the House. Bill 83 is a Bill to authorize the guarantee by His Majesty of securities to be issued under the Canadian National Railways Financing Act, 1931; and the effect of Bill 79 is to authorize the provision of moneys to meet expenditures made and indebtedness incurred during the calendar year 1931. The object of this Bill is to authorize the Canadian National Railway Company to issue securities to the extent of $68,500,000 for the purpose during the year 1931 of financing where the amounts available from Net Operating Income or Investments may be insufficient.

I think my suggestion would hasten everything.

The **Chairman**: There is no resolution, of course, before the committee. All I have to say in reply to the honourable gentleman is that during the last two or three days we have been practically discussing this very bill that he speaks of, by going through in detail the matters that are contained in the Bill, and I think we have been doing our work properly. It will only take another day to clean up these matters and then I think you will be in a position to say in a few minutes whether the Bill suits you or not.

Mr. **Beaubien**: I have no objection, Mr. Chairman, and I am not trying to throw any reflection on what the committee has been doing; but still, if we have been considering the Bills, it was not with my knowledge.

The **Chairman**: The Bill provided for the expenditure of $68,000,000, and that is what we have been discussing. If any man here does not know that, it is time he did know it.

Mr. **Beaubien**: Probably I do not know as much as you do, but perhaps I will when I am of your age.

The Canadian National Railways, unless the Bills are passed pretty soon, will have to finance in some other way, they will have to go to the Finance department and get some loans of some description. If I am not correct, I wish to be corrected.

The **Chairman**: They have already done that. If you have a resolution to put before us, if you feel sore—

Mr. **Beaubien**: No, I do not feel sore. This is only a suggestion I am offering.

The **Chairman**: If you have not a resolution, I cannot put it. If anybody else has anything to say on the subject, let us hear it. What we are doing now is really discussing this Bill; and when we come to the Bill itself it will take but a very short time, probably not five minutes, to put it through.

Mr. **Beaubien**: If that is your interpretation, all right.

Mr. **Gray**: Mr. Chairman, you have been very fair in giving us latitude for this discussion. I have gone through what we have had before us, and to my mind as to the estimates which are before us, I have always felt, when I have been on this committee, that we are really a rubber stamp, because a great deal of it is already committed. It seems to me we have been given already a very full explanation of matters. If there is something which Mr. Beaubien or somebody else has in mind, we might have it; but to start wading into that book of estimates seems to me to be a waste of time. I may be wrong in that. As far as I am concerned, I would be agreeable to passing on the Bills to-day.

The **Chairman**: As far as this statement is concerned, I have given every possible latitude to every member, and if the members are satisfied that they have got all the information that they desire regarding this matter, I am perfectly content. I have perhaps spent more time on it than any of you, but it is up to you yourselves; I am in the hands of the committee.

Mr. BEAUBIEN: The reason I did not make a motion was that I wanted to have the sense of the members of the committee.

Mr. HANSON: I perhaps have taken a good deal of time with this committee, but I think the impression which we have received has fully justified any time or labour which has been given to the committee. My main object in relation to the committee this year is not so much examining in detail the figures which have been brought before us. I venture to say that no one member of the committee has been able to digest the figures which have come before us in any year. Firstly, we do not have them available early enough to make a study of them, as we only get them when they come before the committee.

My definite idea this year was to bring before the committee, so far as I was able in an humble way, the seriousness of the financial condition of the railway company and to get the seriousness of that across to Sir Henry Thornton and his officials, and to get from them an expression of their realization of that. That has been accomplished, and I think a great deal of good will be done for the coming year; and that having been accomplished, I am content to go very litle further into the figures in these estimates. Personally, I would pass them to-day. There is just one reserve, on one feature, I would like to make and this is a question which arose in a debate in the House, precipitated I think by the Minister of Railways and joined in by the leader of the opposition, and that is the switching of appropriations. I think that is an important principle and we ought to deal with it, and we ought to afford Sir Henry Thornton an opportunity of making a defence to what after all is a rather serious matter. That is the only major topic to which I would like to advert before passing this Bill.

Sir HENRY THORNTON: Might I answer that very important question which Mr. Hanson has raised? In many respects I share his point of view and the point of view of others who also have expressed opinions with respect to the effect of the switching of expenditures.

In the operations of a railway such as the Canadian National Railways with its ramifications, extending as it does from the Atlantic to the Pacific, it is exceedingly difficult for the officers of the company, no matter how sincere they may be or how intelligent they may be, to anticipate with absolute precision all the expenditures which may be necessary for the conduct of the railway during the year. But within a reasonable margin of error,—and I will be perfectly free to say that I think that margin of error has been greater in the past than it should be in the future,—but within a reasonable margin of error we certainly should be able to anticipate the character of expenditures and the items which should be included in the year's budget.

We cannot hope to possibly reach 100 per cent, but we have made this year a far greater effort than ever to meet the point which Mr. Hanson has raised, and there has been adopted by the Board of Directors a proposal which is before the Council of the Government, that a committee of three shall be set up, a subcommittee of the Directors, to deal with that particular item.

All I can say in answer to the question which Mr. Hanson has raised is that I think his point is in general very well taken, and certainly we do not want to be in the position of switching any considerable number of expenditures which have been put down in the budget, from one item to another. Of course it may happen that an estimate for a certain improvement, which is considered desirable in January for some alteration in traffic conditions, or something of that sort, may prove to be an unwise thing in June; but those cases should not be considerable; in fact, they ought to be negligible.

Mr. HANSON: Such a case as that does not involve switching an estimate.

Sir HENRY THORNTON: You might find that one thing was an undersirable thing to do, but another thing for which an amount has been put down in the estimates ought to be altered or extended or increased in quantity, or something new might come up. We cannot, to save our souls, anticipate everything that is going to happen on this railway for twelve months in the year; but, on the other hand I frankly admit that I think we have been somewhat lax in that, in the past. I am just as free to make an admission with respect to that as I am to defend any proposition which I think is sound. And I can assure Mr. Hanson and all the other members of this committee who hold his views, that we are fully seized of that; and I venture the prediction, in all sincerity, that there is going to be very much less of that in the future than there has been in the past, and that when the end of the year comes and we meet next year, as I hope we will all do, in good health, and all of you representing your respective constituencies, that you will find that the switching to which Mr. Hanson has referred has been reduced to a degree which will be acceptable and as reasonable by himself and by every other member of this committee. I do not know that I can say much more on that, Mr. Hanson.

Mr. Hanson: I think you have covered the position; but I think this ought to be adopted as a principle, that the railway company should not be prohibited from switching in an emergency which might arise, or if better judgment might arise in the light of new information of importance, but that should be taken up, not with this committee but with the Department.

Sir Henry Thornton: That is exactly what is going to be done, Mr. Hanson.

Mr. Hanson: Then I am satisfied.

The Chairman: There is one thing to which I want to call the attention of the committee. At meetings of this committee in other years, I have heard Sir Henry Thornton make a statement—I cannot recall the exact date but I remember quite distinctly that he made a statement to us which was to this effect—that in future he did not expect to be called upon for any considerable expenditure in respect to the Western Lines of the Grand Trunk, that is the American Lines. I notice this year that there is a very considerable capital expenditure proposed, and I would like to have a statement from him on that subject. It was generally understood that that line was in a position to carry itself for the future.

Sir Henry Thornton: That is true, Mr. Chairman.

Mr. Hanson: I would like to add, Mr. Chairman, that there is in the minds of some of the people in this country an objection to any large capital expenditure upon any railway outside of Canada. I think some capital expenditure might be necessary, but not any large expenditure in a railway located outside of Canada.

Sir Henry Thornton: In that connection, I would like to point out that the Canadian National Railways system owns two lines which are outside of the frontiers of Canada, and which came to us as inheritances from the old Grand Trunk Railway system, namely, and more immediately, the Grand Trunk Western, and also the Central Vermont Railway.

The Grand Trunk Western Railway is an important integral part of the Canadian National Railways system, first, because it serves a very important industrial area in the State of Michigan, from which we derive a very considerable traffic; and secondly, because it provides an entrance to the City of Chicago and an entrance to that gateway. Chicago is one of the great traffic gateways of the North American continent. There focus in Chicago pretty much all of the important railways which serve the western part of the United States, and we derive a very considerable revenue from interchange of traffic both ways. We also derive a very considerable revenue from industries which are located in the State of Michigan, which really represent the majority of the automobile manufacturing concerns in the United States.

If our lines ended at the Detroit River, we would be in an exceedingly disadvantageous traffic position. We would have no direct entrance to the important Chicago gateway, and we would not be in a position to command the traffic which we now command from industries located on our lines in Michigan, which represent the General Motors, the Ford works, the Chevrolet and all of the important automobile manufacturing concerns in the United States, or at least most of them.

Not only is that traffic so derived of value to the Canadian National Railways itself, but it also pays a tribute to Canada in this sense. Every carload of automobiles which we ship from the State of Michigan to either the Niagara gateway or the Montreal gateway and down into New England, or any carload of general traffic which so originates, results in the employment of just that many more Canadian enginemen, firemen, brakemen, conductors, trackmen and others who are employed on our railways. That is to say that we not only make money out of that traffic in itself, but it adds to the potential employment which we can give to employees of the Canadian National Railways because that traffic passes through Canada.

The Chairman is quite correct. I said, I think it was two years ago, that the position of the Grand Trunk Western was exceedingly satisfactory and that I anticipated that that property in the future would be an asset, in so far as it would carry its own expenses. But there was a depression which hit us, as you all know, in the autumn of the year 1929, which peculiarly and particularly affected the automobile business; many works were closed, many others were partly closed and there was a reduction in traffic similar to that which afflicted every other railway on the North American continent, and which two years ago I never anticipated, not for one moment.

Notwithstanding that, I still feel that the position of the Grand Trunk Western and the Central Vermont, to which I will refer in a moment, immeasurably strengthens the traffic position of the Canadian National Railways and materially contributes to our gross revenue and distinctly are assets to the people of Canada as a whole, particularly to those who live in the Province of Ontario and the Province of Quebec.

The Central Vermont has been a peculiarly satisfactory railway. That went through a receivership, and last year for the first time in the history of the railway, it not only made all of its fixed charges but had a surplus of somewhat more than $150,000.

I have often heard the opinion expressed that we should not own any railway lines outside of Canada, that we should divest ourselves of the Grand Trunk Western Railway—

Mr. HANSON: I do not go that far.

Sir HENRY THORNTON: But I have heard that view expressed.

Mr. CANTLEY: I go that far, Sir Henry, and I think the day will come when many other people will go that far.

The CHAIRMAN: I have understood that the management of the road has suggested such a thing as that themselves, and I would like that gone into a little by Sir Henry.

Sir HENRY THORNTON: Mr. Chairman, I do not think any responsible officer of the Canadian National Railways, and certainly not myself, ever suggested that. I do not think there is an official of the Canadian National Railways that would contemplate the divestment of the Grand Trunk Western and the Central Vermont as being any thing but a catastrophe.

The CHAIRMAN: Provided you had some arrangement for running rights?

Sir HENRY THORNTON: I cannot conceive of running rights which would be the equivalent of our present rights.

Hon. Mr. EULER: That suggestion, Mr. Chairman, was embodied in a resolution in the House some years ago.

Sir HENRY THORNTON: I can only give you my own judgment as one who has had some experience in railway enterprises, and I say that to abandon our entrance to the Chicago gateway and to abandon the opportunity for traffic on the Western Lines, and to abandon the opportunity for traffic in the State of Michigan would be nothing but catastrophic and it would have a very serious detrimental effect upon the revenues of the Canadian National Railways.

I do not want you to accept my words for this. Some of you may think I am speaking as a prejudiced party; but I would like Mr. Hungerford, who has been connected with the property for a number of years, to say what he thinks about it. I think you should have the opinion not only of myself but of the other officers of the company who are familiar with its operations.

Mr. HUNGERFORD: Mr. Chairman, all I have to say is that I agree with Sir Henry Thornton in what he says as to the Grand Trunk Western. In my opinion it would be a disaster to have that line separated from the Canadian National Railways system.

Incidentally, in connection with the capital expenditure on the Grand Trunk Western, it might be of interest to point out that a rather large proportion of our capital expenditures over there is for grade separations, which of course we are compelled to carry out.

Mr. DUFF: What about your answer, Mr. Chairman, to the question about capital expenditures?

The CHAIRMAN: That has been satisfactorily answered. I wanted to know what the capital expenditures particularly consisted of.

Sir HENRY THORNTON: They have been for things which it was difficult if not impossible to escape. And may I just go on for a moment? The Canadian National railway, with respect to its lines in the United States, might be described as a visitor. I can only say that in so far as that is concerned, we have received the most extraordinarily friendly treatment from all of the public authorities in the United States and the Inter-State Commerce Commission itself. Our relations with that Commission have been most agreeable. There has never been any question raised of nationality with respect to our ownership; and far from finding what you might possibly expect, a feeling of resentment that a foreign government should own lines in another state, we have been received with all the courtesies and with all the kindness which is extended to a visitor within a man's house. They have helped us and they have, if anything, given us the best end of it; and when it comes to the interchange of traffic and the examination of traffic by the Customs Department at points where we cross the border of the United States, the United States authorities have accepted our suggestions and have accepted our examinations; have even in the matter of examination for the possibility of concealed liquor shipments, taken the words of our inspectors; and all I can say is that we have been extraordinarily well treated and there has never been the slightest feeling of resentment.

Mr. POWER: Sir Henry's words are an incentive to boot-legging on the Canadian National Railways, and should be excluded from the record.

The CHAIRMAN: Now, just a word. We have had Sir Henry's explanation with regard to the Grand Trunk Western, and there is one other line which has been the cause of considerable irritation, especially in the Maritime Provinces, and that is the Portland Line. As I understand the situation, that line is not being used to the same extent as it formerly was used, because of objections from Saint John and Halifax, and I would like to know if there is any possibility of ridding ourselves of that particular piece of line, because if we cannot use it, it might be well worth while to hear Sir Henry's statement about it.

Sir **Henry Thornton**: I would like that what I have to say about that should not be reported.

The **Chairman**: My answer to that is that we will not take it now. We will defer that particular statement to another time when we are in committee without having a reporter. Does that meet with your ideas?

Hon. **Members**: Carried.

Mr. **Heaps**: Mr. Chairman, Mr. Beaubien has raised a point which might be decided now, as to the bringing of all the officials of the company here. They have to be here in case any questions are asked on which information is required; and I think the quicker these men can be got back to their work the better for all concerned.

The **Chairman**: I am in your hands, as far as that is concerned. I have tried to keep order, and you have all helped me in every way; but as far as this suggestion is concerned, it is absolutely in your own hands.

Mr. **McGibbon**: Mr. Chairman, apropos of that, there is a story around that certain of the men come here every session and make speeches, and after they have spoken, they think the House should prorogue.

Mr. **Duff**: After our meeting last night, which of course I cannot say very much about because it was private, but after the information which we received at that meeting, both from Mr. Grant, Sir Henry and the Minister of Railways, I am inclined to think that unless there is some particular item which some member of the committee wants to bring up, we could very well pass a resolution which I am going to move. When I move this resolution, it does not mean that somebody may not have something to say; I do not wish for a moment to deter any member from asking any question with regard to the statement, but in order to bring it properly before the committee I am going to move that the report and estimates of the Canadian National Railways be accepted by the committee and adopted.

That will bring the matter clearly before the committee, and then if any member wants to ask any question, he will be at liberty to do so.

Mr. **Fraser**: Let me ask what is the situation with regard to the Grand Trunk Pacific branch lines? Are they a paying proposition or are they a load on the railway?

Sir **Henry Thornton**: May I ask you particularly what you refer to?

Mr. **Fraser**: That from Jasper.

Sir **Henry Thornton**: That is part of the main line.

Mr. **Beaubien**: Mr. Chairman, I will second Mr. Duff's motion.

Mr. **Geary**: Mr. Chairman, nobody at this end can hear anything that is said by anyone a third of the way up the table, and much less can we hear Sir Henry or the Chairman.

Sir **Henry Thornton**: Can you hear me now, Colonel?

Mr. **Geary**: I can, when you look at me.

Sir **Henry Thornton**: There is nothing I would rather look at.

Mr. **Hanbury**: I would suggest that the speaker might stand.

The **Chairman**: Instead of two or three talking together, if the gentleman addressing the chair would stand up, it will be far easier to hear him, and then the others can hear him and keep quiet.

Mr. **Fraser**: Mr. Chairman, my question is, what is the standing of the line from Jasper to Prince Rupert? Is it a paying line or not a paying line?

Sir **Henry Thornton**: It is not a paying line.

Mr. **Fraser**: How far does it go behind?

Sir Henry Thornton: We do not keep our accounts in that way, but I can answer that as a line it is not a paying line. A direct answer to the question would be only an estimate, and it would be almost impossible to get at because it is a part of the main line.

Mr. Fraser: And the accounts are not kept separate?

Sir Henry Thornton: No.

Mr. Fraser: Then I cannot get that information. Now there is a question which I asked the other day about the steamships on the Pacific Coast; and before I proceed, I want to make this clear, that I am separating them into two distinct branches, the coastal service and the triangle run, as between Seattle, Victoria and Vancouver. I would like to know, in the first place, what is your revenue, and your operating expenses, or your losses and profits, whatever they are, with regard to the coastal steamships, and how many ships have you operating there, and any other information you may have in a general way.

Sir Henry Thornton: I cannot separate the service between Prince Rupert and Alaska from the other services, because it is kept all in one service. Can you do that, Mr. McLaren?

Mr. McLaren: Not very well.

Mr. Fraser: I want to make it clear. The question has been asked me whether it belongs to the Canadian National or the steamship company.

Sir Henry Thornton: It is all Canadian National.

Mr. Fraser: It is all in the consolidated statement?

Sir Henry Thornton: Yes, sir. Have you any information on that? Or perhaps you can explain that.

Mr. McLaren: I think we could give that, regarding the steamships.

Sir Henry Thornton: You have a general statement with regard to the steamships and the routes, and one thing and another, haven't you? I want only the coastal boats.

Before we go to the general financial statement, I might make this statement, that our steamship services on the Pacific Coast consisted of, I think, three larger vessels. There was the Prince Rupert, the Prince George and the Prince John. There was also a smaller vessel, the Prince Charles, that was employed in summer services between North Queen Charlotte Islands and calling at Stewart and Anyox; but the three principal vessels, which represented the services between Victoria, Vancouver, Prince Rupert and Alaskan ports, were the Prince Rupert, the Prince George and the Prince John. Those vessels were largely for the purposes of supplying services in connection with the tourist business up and down the coast. They were also linked in with what we call the triangle tour. That is to say the tourist would take a vessel from Vancouver to Prince Rupert, would there disembark and take the train to Jasper, spend some time at Jasper and then return by rail to Vancouver. That constituted what we call the triangle route, as distinguished from the triangle service, including Victoria, Vancouver and Seattle.

Those vessels were originally built and put on many years ago for tourist purposes, and it was found about two years ago—

Mr. Fraser: As a matter of fact, they are a part of what you inherited from the old Grand Trunk Pacific?

Sir Henry Thornton: Oh, yes, quite so. We felt in 1928,—and when I say that, I mean the traffic officers, the executive officers of the company, and myself—that tourist business showed sufficient promise to justify additions to the fleet.

My recollection is that during the heavier tourist season we had insufficient accommodation to take care of the traffic that offered. Futhermore, because of the pressure of business, we had retired from the Seattle service. We had formerly and for many years been running our vessels between Vancouver, Victoria and Seattle.

For instance, one of those new boats very recently took a party representing the Canadian Chamber of Commerce and the Canadian Board of Trade to South America. It was on this service for something like a couple of months, as I remember it offhand, and there was the further opportunity, during the winter time, of running a service for tourists from Vancouver to the British West Indies through the Panama Canal and so on. So for all those reasons we came to the conclusion that having regard to the trend of business at the time, and the conditions which existed then, that to protect the revenues of the company and to take advantage of the business offering, we were justified in asking governmental approval for the construction of three additional boats. Now, at the moment—and I hope I violate no confidences in saying this—the Canadian Pacific Railway and ourselves are considering some joint arrangement for the purpose of pooling our vessels in coastal service on the Pacific Coast, extending those services to San Francisco, and operating our respective coastal facilities as a joint proposition. The traffic officers of the two companies have that now under consideration. I might just at this time go further and say that this is only one of three other important joint arrangements which we have under consideration with the Canadian Pacific Company. I can further say that as the result of two or three meetings which Mr. Beatty and I have had in the last two months, we are endeavouring to avail ourselves mutually of such facilities as we both have which profitably lend themselves to mutual operation, for the purpose of saving money for both companies, and making money also for both companies. This coastal service question to which Mr. Fraser has referred is one of those which we have under consideration, and both companies are getting together wherever we can to try to save money for each of us, and to take money for each one of us. We both realize that the times are such that there is more money to be made out of co-operation than out of competition. Now, that does not mean that in any sense the public is going to suffer, but we are simply trying to pursue the course which two intelligent administrations would follow when they are confronted with the same problems.

Mr. GEARY: Has the loss been very heavy?

Sir HENRY THORNTON: That is just a general narrative, a general explanation that I have tried to give to this committee as to how it came about that our services were enlarged, and what we are trying to do with those services in a co-operative way. I will ask Mr. McLaren, who I believe has the results of operation, to give you that information; and in that connection I would ask you to remember that these vessels were not in operation for anything like the whole of the tourist season of last year. Now, Mr. McLaren, could you give the committee the dates at which the respective vessels went into commission?

Mr. FRASER: What are the names of the new vessels?

Mr. FAIRWEATHER: The Prince Henry and the Prince David.

Sir HENRY THORNTON: There is a third vessel, the Prince Robert.

Mr. FRASER: Is the Prince Robert not delivered?

Sir HENRY THORNTON: Not yet. Now, let me give the dates at which these vessels went into service.

Mr. FAIRWEATHER: They were put into service August 12th, 1930, and on July 30th. I refer to the Prince David and the Prince Henry.

Mr. HANSON: You had the Robert.

Sir HENRY THORNTON: When I say commission, I mean put into commission on these coastal services. It was used in South America.

Hon. Mr. ROGERS: You had a boat down in Nassau during part of the year, had you not?

Sir HENRY THORNTON: That is one of the regular West Indian service boats; it was not one of these three coastal boats. Oh yes, that is a separate proposition altogether. There were five boats built as the result of the West Indian Trade Treaty which the government negotiated, and one of the obligations of that Treaty was that the Canadian Government should cause to be built and put into effect certain services between Atlantic Canadian ports and West Indian ports; but this is quite a separate and different project that we are talking about.

The CHAIRMAN: That is a separate company known as the Canadian National West Indies Steamship Service.

Mr. DUFF: That is it.

Sir HENRY THORNTON: We ran the Prince Robert. The Prince Robert was delivered in November, and she was run on two or three excursion trips to the British West Indies, and then, on February 22nd, as I recall the date—I may be two or three days out—but it was something like that—then she started on her cruise to South America with the Canadian Trade Commission.

Mr. FRASER: Has she been on the coast yet—on the Pacific Coast?

Sir HENRY THORNTON: She is in service on the coast now.

Mr. HANBURY: Is she in the triangular service?

Sir HENRY THORNTON: In the whole service.

Mr. FRASER: Were those three boats specially built for the triangular service between the three cities?

Sir HENRY THORNTON: We do not distinguish between what you call the triangular service and the coastal service. Because of the addition of these three new vessels to our service we were able to render what you call the triangular service, but that is only part of the Canadian coastal service. All of these vessels call at Vancouver, Victoria and Seattle, or rather, to put it the other way, they call at Seattle, Vancouver and Victoria, and then proceed to Prince Rupert and Alaskan ports, and back again to Seattle around the same route. What you call the triangular service is part of the whole coastal service.

Mr. FRASER: No, that is not my contention, Sir Henry.

Mr. HANBURY: The C.P.R. run on a different basis, do they not?

Mr. FRASER: I am not too sure of my ground. What I thought was that we had put on this new service during the last year for the special purpose of taking care of that traffic which was traffic particularly between the three cities —the same service as the C.P.R.

Sir HENRY THORNTON: We have no vessel which run exclusively or solely between Vancouver, Seattle and Victoria. We have vessels that run between these ports, and in addition to that proceed on their journey northward touching at Prince Rupert and various Alaskan ports.

Mr. FRASER: You have no regular service then between the three cities?

Sir HENRY THORNTON: We have a regular service, but not a service that is exclusively limited to those three cities.

Mr. FRASER: There are none of your boats that are exclusively on that particular trip, on the trip between the three cities?

Sir HENRY THORNTON: That is right. In other words, what I mean to make clear is that what you call the triangular service is only a part of the whole coastal service performed by the same boats that are engaged in the same coastal service.

Mr. **Fraser**: This is clearing the thing up. Now, you have these three new boats, the Prince Henry, Prince David and Prince Robert, and in addition to calling at Vancouver, Victoria and Seattle they also call at Prince Rupert and Alaskan Ports.

Mr. **Duff**: And they also call at ports between Vancouver and Prince Rupert?

Mr. **Kennedy**: I would like to ask a question regarding the earnings on tonnage moving over northern Alberta railways.

Sir **Henry Thornton**: Just a minute, Mr. Kennedy, and I will answer Mr. Fraser. I am sorry, but I am wrong, Mr. Fraser; I have given you wrong information. Two of those boats are in that.

Mr. **Galloway**: There are three boats, the Prince Henry, the Prince Robert and the Prince David. Two of them operate in the summer season in the ordinary triangular three city service; one of them operates from Vancouver in the Alaskan service. There are three boats altogether.

Mr. **Fraser**: Is that all you have altogether—three ships—six is it?

Mr. **Galloway**: Six or seven altogether.

Mr. **Fraser**: Where are these operated?

Mr. **Galloway**: The Prince George and the Prince Rupert in conjunction with the Prince Henry operate the so-called Alaskan service in the summer months.

Mr. **Fraser**: Of course, I am in Victoria quite a bit, but I was not positive.

Sir **Henry Thornton**: That was a service in which we were at one time engaged. This is a re-entry of that service.

Mr. **McGibbon**: What was the cost of these new vessels?

Mr. **Fairweather**: Cost at December 31st, 1930: The Prince Henry, $2,167,298; Prince George, $2,158,203; Prince Robert, $2,206,889.

Mr. **McGibbon**: Six and a half million dollars.

Hon. Mr. **Rogers**: Are they profitable on those runs?

Mr. **Duff**: They have not been on long enough.

Sir **Henry Thornton**: Mr. Fairweather will give you the results of last year, but remember they were not in the service the whole of last year—only a part of the tourist season.

Mr. **Fairweather**: I shall give the net revenue from operation. First, as Sir Henry has explained, these boats were not in the service for a full year, and the whole picture is therefore somewhat distorted. Between Vancouver, Prince Rupert, Anyox, Stewart, Ketchikan, there was a loss, after operating expenses of $107,000.

Mr. **Fraser**: For the whole year?

Mr. **Fairweather**: For the year as reported. Vancouver to Alaska, there was a profit of $59,000. Vancouver, Prince Rupert and Queen Charlotte Islands, there was a loss of $61,000 on the three city service.

Mr. **Fairweather**: There was a loss of $157,000.

Mr. **Galloway**: One ship since August 12, 1930, and the other sometime about the middle of September.

Mr. **Fairweather**: Special excursions contributed to net revenue $70,800. The total represented a loss on operating account of $258,000.

Mr. **McGibbon**: What would be the total loss including capital investment?

Mr. **Fairweather**: The total loss on all services including the interest on capital and depreciation on the boats was $547,000.

Mr. **Duff**: These boats would contribute to the railway revenues, would they not?

Sir **Henry Thornton**: Oh yes.

Mr. **Duff**: Which is not included in this?

Sir **Henry Thornton**: Yes. We have a statement showing the number of inter-line tickets.

Mr. **Fairweather**: To Skagway we sold a total of 4,541 tickets; to Juneau 274; to Ketchikan 378; to Wrangel 96. That makes a total of 5,389 tickets. C.N.R. rail line passenger revenue derived from that business in 1923 amounted to $156,000.

Mr. **Hanson**: I would like to suggest this, that there is just traffic enough for one good route up there, and we had better get the thing coordinated as soon as possible—$10,000,000 a year for one little service like that is pretty large.

Sir **Henry Thornton**: That is exactly what I explained a moment ago, Mr. Hanson, that the Canadian Pacific and ourselves are working on a proposition to operate our respective coastal services in a cooperative way.

Mr. **Hanbury**: Is it not true that in considering the Alaskan service, last year was the first year for many years that it was possible to get accommodation during the tourist season?

Sir **Henry Thornton**: That is quite true.

Mr. **Hanbury**: Previous to that it was necessary to make reservations six or seven months in advance if you wanted to get in on the Alaskan trip.

Mr. **McGibbon**: That does not mean you are making any money out of it.

Mr. **Fraser**: I have nothing to say about the coastal services as we call them, from Vancouver to the north; they were inherited, as we have been told, by the railway; but my point is this: that we have an inter-city service, a tri-city service, and I would like more figures and more information before I can satisfy myself that that service was justified.

Sir **Henry Thornton**: I understand that that too was a service which we inherited. I mean to say that we were in that service at one time, and because of a lack of ships we abandoned it.

Mr. **Fraser**: That may be correct as far as you are concerned, but you were out of it.

Sir **Henry Thornton**: Oh, unquestionably.

Mr. **Fraser**: The service which was provided by your competitor was a first class service?

Sir **Henry Thornton**: Undoubtedly.

Mr. **Fraser**: Now, that amount of money has been put into this service, and has it been a profitable service? We are looking for ways to save money.

Sir **Henry Thornton**: Precisely.

Mr. **Fraser**: And I believe that that service is one where money can be saved. The service was well taken care of before you came into it.

Sir **Henry Thornton**: I tried to point out to you repeatedly, two or three times, that that is exactly what we are working on now.

Mr. **Heaps**: May I ask in connection with the amalgamation between the two services between the three cities, whether that deficit will be wiped out by that amalgamation?

Sir **Henry Thornton**: I cannot answer that. I do not know. Of course I am sure you will all realize that both our calculations and the calculations of the Canadian Pacific Railway have been entirely upset by the depression through which we are passing, and I don't know what the Canadian Pacific figures are on their service. I do not know what they were before we resumed our position in the service.

Mr. **Heaps**: Is it the intention to utilize the boats that will be laid up as the result of that effort in any other service?

Sir **Henry Thornton**: One thing I know to-day, and it is a very profitable field, is the extension of service to San Francisco. How that is going to result I do not know. Your estimate is just as good as mine, excepting that we think that there is a profitable field there for the extension of our joint services to San Francisco.

Mr. **Heaps**: I presume that you are likely to bring about the amalgamation of the services between the three cities?

Sir **Henry Thornton**: We are trying to work that out now. Our officers are in conference, and if it were not for the fact that they are here to-day and have been here for two weeks at least, they would have been in conference with the Canadian Pacific officials, and have tried to work this thing out.

Mr. **Duff**: Is it a fair statement to say that you did not put on these new boats—the suggestion was made that that service was abandoned some time ago—is it not a fact that during the time you abandoned the service the railway revenues suffered, giving the C.P.R. the advantage of the water service all to themselves, and, consequently, they got most of the rail business?

Sir **Henry Thornton**: Unquestionably.

Mr. **McGibbon**: The figures just given regarding the number of tickets sold is rather illuminating.

Sir **Henry Thornton**: Of course, Doctor, you are dealing with only a part of last year's tourist season. And, furthermore, you are dealing with a period in which the whole North American Continent has been passing through a depression.

Mr. **McGibbon**: I quite agree with your latter statement. I was talking about Mr. Fairweather's statement concerning the number of tickets you sold, over the route.

Mr. **Fairweather**: I am sorry if I have given the wrong impression. The figures I quoted were with regard to railway ticket sales to Alaska only. Now, on the Alaska trip, not only did we make $156,000 on the rail, but on the Alaskan service we made a net profit on the steamship services of $59,000. The sale of tickets to and on the railway in connection with our other boat services, I have not got here. That information has not been taken out.

Mr. **Duff**: If you had not had these boats on the route between Seattle, Vancouver and Victoria, would your railway revenues have suffered?

Mr. **Fairweather**: I should say so, yes.

Sir **Henry Thornton**: Unquestionably. And I will say this: every intelligent business executive anticipates the future state of business, and tries to prepare his production to meet that situation. Now, when we built these boats, we did not imagine, nor did we expect that for the first year or two they were going to jump to their maximum, that we were immediately going to find them profitable; but having regard for the general trend of the tourist business, particularly on the Pacific Coast, we felt that we should prepare and provide such vessels as would put the Canadian National Railways in a position to get its proper share of that tourist business from year to year, as we and every other railway anticipated would result.

Hon. Mr. **Euler**: If you put a service on will that put you in competition with some other existing service?

Sir **Henry Thornton**: I do not know whether it will or not. I think there are a couple of lines that operate, but at the same time they do not own the ocean, and we have just as much right on the part of Canada to get business from the United States as the United States has to get business from us.

Hon. Mr. **Euler**: I am not questioning your right. What is in my mind is this: if there is an existing line there now could you go into that profitably?

Sir **Henry Thornton**: We believe that our vessels are so superior, so much more satisfactory, so much more attractive, that we can get a very measurable proportion of that business.

Mr. **Fraser**: What was the loss on these inter-city boats in the month of November or December? Have you it segregated in that way?

Sir **Henry Thornton**: No.

Mr. **Fraser**: What was the loss on these new boats from the time they went on the service—the tri-city boats—until the end of the year? I suppose that is as far as you can go?

Mr. **Fairweather**: The loss would be $157,000 on the triangular service. That is on operating account.

Mr. **Fraser**: Over cost?

Mr. **Fairweather**: Yes. And in addition to that it had to take care of insurance. After everything, it amounts to $267,000, counting depreciation.

Mr. **McGibbon**: I understand you made a profit of $200,000 on your northern lines?

Mr. **Fairweather**: No, sir. I said on the Vancouver-Alaska service. There was an operating profit of $59,000.

Mr. **McGibbon**: There was a total loss of how much?

Mr. **Fairweather**: Of what service are you speaking?

Mr. **McGibbon**: The whole service.

Mr. **Fairweather**: On the whole service, after interest and depreciation, the loss on the boat service was $547,000.

Mr. **McGibbon**: You deduct one from the other and you get your southern loss?

Mr. **Duff**: It is not fair to segregate the water route from the railway; you get business from having the boats for your railway.

Sir **Henry Thornton**: We cannot segregate it that way.

Mr. **Fraser**: These boats were delivered in August on the Pacific Coast.

Mr. **Galloway**: One was put into service on August 12th, 1930; the second one was put into service on September 4th or 5th.

Mr. **Fraser**: Which was the first one?

Mr. **Galloway**: The Prince Henry.

Mr. **Fraser**: The David was the second, and the Robert was the third?

Mr. **Galloway**: Yes.

Mr. **Fraser**: Were they built by contract?

Sir **Henry Thornton**: Tenders were asked for and the contract was awarded to the lowest tenderer.

Mr. **Fraser**: Who were the builders?

Sir **Henry Thornton**: Campbell-Laird of England.

Mr. **Fraser**: Were they all built by the same firm?

Sir **Henry Thornton**: Yes. We asked for a number of tenders, and, of course, awarded the tender to the lowest bidder.

Mr. **Fraser**: Have they been finally accepted from the builders?

Mr. **Galloway**: Yes and no. The builders guaranteed them for six months after delivery and they are responsible for any defects that might occur in the hull or machinery within the six month service period.

Sir **Henry Thornton**: Now, we had some trouble. On which boat was that, Mr. Galloway?

Mr. **Galloway**: There was some trouble in them all.

Sir **Henry Thornton**: We had some trouble with the turbines, and that matter is now being taken up with the builders for adjustment.

Mr. **Duff**: They send their own engineer for six months.

Mr. **Fraser**: Have the boats been paid for?

Sir **Henry Thornton**: Yes. Everything is paid for.

Mr. **MacMillan**: I have heard it said that those boats are so high-powered that they almost throw people up against the rail in making the turns during the passage.

Sir **Henry Thornton**: I am glad you asked that question. There are so many things that one may hear. It is difficult to answer them all. I can only say this, that I travelled on one of those boats last summer from Vancouver up to Alaska and back to Prince Rupert, and they were admirable in every way.

Mr. **MacMillan**: I am talking about the tri-city service.

Sir **Henry Thornton**: I should say that was an absurd rumour.

Mr. **Duff**: Although there are some hairpin turns on that route.

Sir **Henry Thornton**: There may be some hairpin turns, but there are no better boats, no more comfortable boats, and no better handled boats on the water to-day.

Mr. **Geary**: Will you tell me if there was an adequate service for all the traffic offering before you put on the three boats?

Sir **Henry Thornton**: I will answer that question offhand, but I can only answer it in a general way because it is a general question. I should say that during the tourist season there was not enough service. I am just speaking offhand. I am giving you my general knowledge.

Mr. **Geary**: And you went in to take out your share of it I suppose?

Sir **Henry Thornton**: Yes.

Mr. **Duff**: And to help the railway.

Mr. **Fraser**: The builders have not been released?

Sir **Henry Thornton**: No.

Mr. **Fraser**: Here is a rumour I have heard: one of the boats was sent back from Halifax to the builders for repairs.

Sir **Henry Thornton**: No, that is not so.

Mr. **Fraser**: That is not so?

Sir **Henry Thornton**: No.

Mr. **Fraser**: What fuel do they use?

Sir **Henry Thornton**: Oil.

Mr. **Fraser**: You have had some trouble with them in regard to their performance.

Sir **Henry Thornton**: We have had some trouble with the turbines, and that is now under discussion and adjustment with the builders. It is not a serious trouble, but it is a trouble which involves the obligations of the builders, and we are now conducting negotiations with them.

Mr. **Fraser**: Was there any alteration in the power supposed to be put into the boats after they were laid down from the original plan?

Mr. **Galloway**: The horsepower was increased somewhat.

Mr. **Fraser**: The reason I asked that is because Mr. MacMillan asked the question a moment ago, and I have heard the report that they were too heavily powered. What have you to say to that?

Sir **Henry Thornton**: That was all gone into pretty carefully by our own marine experts, and by our own marine architect, and we felt that we should increase the power of these vessels, because in this service we are from time to time encountering fogs when it is necessary to slow down the speed of the vessel, and when the fog lifts we have got to have enough reserve power to make up the time we have lost. Now, the power of the vessels as they stand to-day is correct according to our own competent navigating officers, our own marine experts, and our own naval architects.

Mr. **Duff**: What is their speed?

Sir **Henry Thornton**: Twenty-three and a half knots.

Mr. **Duff**: That is not too much.

Mr. **Fraser**: Have you had any reports from your navigating officers as to their efficiency, or as to the way they handle?

Sir **Henry Thornton**: They are entirely satisfactory.

Mr. **Fraser**: Have you ever had to have them taken out of the harbour at Victoria with the assistance of a tug?

Mr. **Galloway**: Not that I know of.

Sir **Henry Thornton**: I do not think so. I should be surprised to hear that.

Mr. **Duff**: Perhaps they were in drydock and the tug took them down to the berth afterwards.

Mr. **Fraser**: Have they been in drydock?

Mr. **Galloway**: Yes.

Mr. **Duff**: I saw the *Lady Nelson* being towed down in Halifax Harbour.

Sir **Henry Thornton**: The answer is that unless there is an occasional extraordinary set of circumstances, the vessels do not require the services of tugs. They are thoroughly satisfactory from a navigation point of view.

Mr. **Fraser**: The reason I asked that question, Sir Henry was this: it has been reported to me that those vessels in entering and departing from Victoria Harbour required the assistance of a tug, and I thought it was only right that you should have an opportunity of confirming the rumor or refuting it.

Sir **Henry Thornton**: I am glad you asked that question and my reply is in the negative.

Mr. **Hanbury**: I would like to make a statement in that connection because there are rumors in Victoria that these boats are hard to handle. I do not want to say that there was deliberate propaganda to discredit the boats, but propaganda existed that these boats were hard to handle. I went to the Masters of these boats, and also to the Canadian National Railways in Victoria, and I have satisfied myself that they are satisfactory and just as easily handled as any boats on the Pacific Coast to-day.

Mr. **Duff**: It is quite possible that they might have been hard to handle on the first two or three trips; they may have wanted a piece on their rudder or something like that. We cannot help that.

Sir **Henry Thornton**: There is one particularly difficult part of the passage between Prince Rupert and Skagway which requires very careful handling and manoeuvring, and I was on the bridge with the captain of the vessel, the master of the vessel, and the master of one of the other vessels—an experienced Scotch navigator who had been all over the world—and I asked them how the vessel handled, and whether they were satisfied with the vessel, and they said that the vessel I was on—one of the new ones—was of the easiest and best handling vessels they have ever seen. Certainly from what I observed—I am not a sailor—I am a very bad sailor—from what I observed of the vessel, it certainly handled with extraordinary facility.

Mr. **Fraser**: Was the reason for putting each of these vessels in drydock simply for the purpose of giving them a general look-over after the ocean trip?

Mr. **Galloway**: It was more for the purpose of making an examination of the ships upon their receipt from the builders.

Mr. **Duff**: Are they twin screw?

Mr. **Galloway**: Yes.

Mr. **Duff**: They ought to handle if they are twin screws.

Mr. **Kennedy**: I would like a statement regarding the performance of the Northern Alberta railways since you took them over. Are they holding their own?

Sir **Henry Thornton**: Do you refer to the Northern Alberta railways in which the Canadian Pacific Railway and ourselves are joint owners?

Mr. **Duff**: He wants to know if they are going up hill or down hill.

Sir **Henry Thornton**: Mr. Fairweather will answer that question.

Mr. **Fairweather**: I take it that what is desired is a comparative statement of operating expenses and revenues: year 1930, operating revenues $2,253,739; 1929, $2,232,156, an increase of $21,582. The railway operating expenses for 1930 were $1,952,389; 1929, $1,437,109, an increase of $515,279. The net revenue from railway operation in 1930 was $301,309; 1929, $795,046, a decrease of $493,697.

Mr. **Kennedy**: What about the question of the outlet—the surveys that have been made. Did the Canadian National participate in these surveys or not? There seems to be some confusion about that.

Sir **Henry Thornton**: I will answer that generally. Is Mr. Gzowski here? We have been making recognaisance surveys, what might be described as general surveys to determine in a preliminary way which of the various passes available for a western outlet afford most promise. We have never made any direct survey of an outlet, but our engineering officers knew in a general way what the country was like, and we made certain surveys to determine the altitudes of the different passes. Now, rather recently the Canadian Pacific Railway has made, as I understand it, a somewhat exhaustive survey which could really be called a survey of the various routes. The report has been sent to the Minister of Railways and to myself, and I understand it to be the intention of the Minister of Railways to ask the President of the Canadian Pacific Railway and the engineering officers to discuss that report at some future date. Now, that generally is the situation.

Mr. **Gzowski**: We made no surveys in 1930 at all. The C.P.R. made quite extensive surveys.

Sir **Henry Thornton**: We did not make any surveys because there is no use of both of us making surveys, and as long as the C.P.R. were willing to do it, we were willing to let them.

Mr. **Bell**: Will you refer to the annual report at pages 34 and 35?

Sir **Henry Thornton**: Yes, Mr. Bell.

Mr. **Bell**: Now, you have the capital stock, and then held by the system, and then owned by the government, owned by the public, in italics. What do you mean by the public?

Sir **Henry Thornton**: I think the first item there, in which you will find that item in italics, is the Montreal Fruit Terminal Company, Limited.

Mr. **Bell**: No, the Montreal and Southern Counties Railway is it not?

The **Chairman**: What page is that on?

Mr. **Bell**: Page 34, I think.

Sir HENRY THORNTON: That represents, Mr. Bell, stock owned by a private individual.

Mr. BELL: In the figures that are going down in italics, I would like to know, first of all, have you any obligation to take up any of those figures?

Sir HENRY THORNTON: I do not think we have. We have no obligation.

Mr. BELL: Any of them?

Sir HENRY THORNTON: No.

Mr. BELL: Now, the second question is, if these are owned by the public, do you pay dividends to the public, or where do the public get off at?

Sir HENRY THORNTON: The public get off. There are no dividends.

Mr. BELL: Do they keep off, or what is the ultimate object?

Sir HENRY THORNTON: I am just speaking from memory, and Mr. Galloway, or some of the other officers who are familiar with the subject, can speak for themselves.

With respect to the item of $189,500, I take it that that represents an interest on the part of individuals which originated a good many years ago and which was simply continued. There was no particular reason why we should buy them out, and we let it go on.

Mr. BELL: I suppose if their stock is worth a certain amount they can sell it to the public?

Sir HENRY THORNTON: They can do what they like with it, but we did not think there was any necessity to purchase stock and of course we did not want to add to our capital account by doing that.

The CHAIRMAN: That may be considered as a frozen asset.

Mr. BELL: You capitalize these different vessels at $10,000. I suppose that is just a matter of bookkeeping?

Sir HENRY THORNTON: Where is that?

Mr. BELL: On the same page, 34.

Sir HENRY THORNTON: That is simply a corporate holding company.

Mr. HANSON: Each ship is incorporated as a joint stock company?

Sir HENRY THORNTON: Yes.

Mr. FRASER: And you do not keep the accounts separate?

Sir HENRY THORNTON: No.

Mr. FRASER: It all goes into the general pot?

Sir HENRY THORNTON: Yes.

Mr. HANSON: If these ships cost a couple of million dollars, why do you capitalize them at $10,000?

The CHAIRMAN: It is evident that they are saving expenses by doing so. It costs so much to incorporate a company at $2,000,000, and it does not cost nearly as much to incorporate a company at $10,000. And besides that, there is a yearly fee based upon the amount of capital.

Mr. BELL: If that is so, it is apparent that this capital stock given here merely represents figures.

Sir HENRY THORNTON: It was considered, for the reasons the Chairman has given, as sound business policy to pursue that particular plan.

Mr. DUFF: I suppose you have that particular stock issued in your strong box?

Sir HENRY THORNTON: Oh, yes.

Mr. GRAY: At any rate this is not a valuation of stock.

Mr. HANSON: This is merely a schedule of the holdings of the company.

Sir **Henry Thornton**: That is right. I think $10,000 is the lowest amount at which it can be capitalized.

Mr. **Geary**: If this has not been taken up and determined, at page 144 of the Proceedings of the Committee, there is a statement which I asked for in regard to radio. It is in volume No. 7.

Sir **Henry Thornton**: That question was filed in the official report.

Mr. **Geary**: I am seeing it now for the first time. You ran the expenses from $10,146.06 in 1923 to $420,028.17 in 1930, and you generally progressed in the expenditure until in that year you dropped them off. You have $175,000 of capital invested. I am surprised it is so small. Is that all your three stations cost you?

Sir **Henry Thornton**: That represents our entire capital investment. It does not, of course, include anything with respect to certain newspaper broadcasting stations which we lease or rent.

Mr. **Geary**: But you have three stations which you own.

Sir **Henry Thornton**: That represents that amount.

Mr. **Geary**: And the stations only cost $175,000 to construct?

Sir **Henry Thornton**: That is right. It includes also equipment on trains; but I suppose the bulk of it would be the three stations. I will give you the details of that, Colonel.

Mr. **Geary**: I am not concerned with that, if you tell me that that is all your three stations cost you.

Sir **Henry Thornton**: For instance, the Ottawa broadcasting equipment and furnishings located in Chateau Laurier, also transmitting equipment and aerials located on Jackson Building used under lease, $37,786.82—that is by way of example.

Mr. **Geary**: Then you broadcast, I notice, every now and then over a hook-up all over the country?

Sir **Henry Thornton**: Yes.

Mr. **Geary**: You use your own three stations in that, I suppose?

Sir **Henry Thornton**: Plus the stations which we lease.

Mr. **Geary**: Is that a profitable thing, to lease those stations? How much do they cost you?

Mr. **MacLaren**: $60,756.23.

Sir **Henry Thornton**: The rental was approximately $61,000.

Mr. **Geary**: Is that on an hour basis?

Sir **Henry Thornton**: I cannot answer that offhand, but it is probably at so much an hour. But the reason we did that was because there was so much criticism of our capital investment that we were taking whatever avenues were available.

Mr. **Beaubien**: Do you rent your own stations to outside people?

Sir **Henry Thornton**: Yes, sometimes. The revenue in 1930 from rented stations was $40,246; and we paid $61,000 rental for stations that we leased.

Mr. **Geary**: What is the cost per hour of a station which you rent?

Sir **Henry Thornton**: The average cost of what you would call our broadcast is $57. I am just guessing but I should think that might cover a couple of hours or something like that.

Mr. **Heaps**: Can you give us any idea of the broadcast cost on Sunday afternoon when you have a symphony orchestra?

Sir **Henry Thornton**: I am afraid I cannot answer that. I can get that for you by to-morrow, Mr. Heaps. For talent, I take it?

Mr. HEAPS: Say you broadcast a symphony concert from Toronto on a Sunday afternoon.

Mr. HANSON: A good deal of the cost is for artists, is it not?

Sir HENRY THORNTON: Yes, and I think I am safe in saying we have employed nothing but Canadian artists.

Mr. GEARY: How many stations have you had in a hook-up,—how many have you under rental?

Sir HENRY THORNTON: We only have three stations of our own, Moncton, Halifax and Victoria.

Here are the stations both owned and leased which we employ for hook-up broadcasting purposes: Halifax, Moncton, Quebec, Montreal, Ottawa, Toronto CNRT, Toronto CNRX, London, Winnipeg, Regina, Saskatoon, Edmonton, Calgary, Red Deer, Vancouver, Saint John, Fredericton, Yorkton, two stations at Hamilton, Waterloo, Detroit, Michigan, Chatham and Brandon.

Mr. GEARY: And those cost you about $57 per hour?

Sir HENRY THORNTON: That is the average, $57.47. I do not know that it is per hour; I rather think it is more nearly two hours. That includes, of course, talent and everything.

Mr. HANSON: It depends upon the power of the station, the high-powered stations are higher, and low-powered stations a good deal less?

Sir HENRY THORNTON: Naturally; if you hire a high class coach and four it costs more than an ordinary conveyance.

I think we have here now what you want, Colonel.

The CHAIRMAN: There is a motion before the chair.

Mr. GEARY: I wonder if I could follow that up. I want the information.

Mr. DUFF: Will you give us the last figures about the cost again, Colonel?

Mr. GEARY: Sir Henry said the cost of the station plus artists ran about $57.47.

Sir HENRY THORNTON: Mr. Fairweather has two samples which have been worked out.

Mr. FAIRWEATHER: Halifax, the rental of the station per broadcast was $19; and at Montreal it was $11, the difference between the two rates undoubtedly being due to the fact that in Halifax we broadcasted sixty-six times and in Montreal one hundred and twenty-seven times; but that gives you the representative average figures for the rental per broadcast.

Mr. DUFF: They find their own artists, then?

Sir HENRY THORNTON: No, that is just for the use of the station.

Mr. FAIRWEATHER: The average talent per broadcast was $24.60.

Mr. HEAPS: That is for each station?

Mr. FAIRWEATHER: No, per broadcast.

Mr. GEARY: What orchestra do you have? Do you have the Imperial Orchestra?

Sir HENRY THORNTON: I am sure that the orchestra that we have used the most has been the Toronto Symphony Orchestra, a very fine orchestra under the direction of Von Kunitz.

Mr. GEARY: I am not altogether with you there, as one music lover to another.

That is Sunday afternoon, is it?

Sir HENRY THORNTON: That is Sunday afternoon.

Mr. FAIRWEATHER: The figures I have quoted are the average figures for the year. I have quoted rental charges at Halifax and Montreal for the station privilege in terms of dollars per broadcast. I have also quoted a talent figure for our average broadcast. I could give you the Toronto talent per broadcast —perhaps that would suit you?

Mr. **Geary**: I do not want to go into the cost of the orchestra. They might not want that.

Sir **Henry Thornton**: Considering the excellence of the orchestra, we made a very satisfactory arrangement with the orchestra. Here is the answer to your Toronto question, Colonel.

Mr. **Fairweather**: I will have it there in a minute.

Sir **Henry Thornton**: I am sorry we are not ready to give you the answer offhand, but with about fifteen pitchers, it is somewhat difficult to tell what questions are going to come across the plate.

Mr. **Fairweather**: The talent for those Toronto broadcasts runs considerably higher than the average. The talent cost was $32,000 for a total number of 246 broadcasts.

Mr. **Hanson**: That is not so bad.

Mr. **Beaubien**: That is a lot of money for Toronto, isn't it?

Sir **Henry Thornton**: The average is about $130. In other words, the real answer to your question is that in round figures we pay about $130 for broadcasting for an hour; and personally I think it is a very low sum.

Mr. **Geary**: I was not interested in that, but what I was interested in was how much you pay out for talent and how much of the $144,929 that would account for.

Mr. **Fairweather**: The total amount paid for talent in 1930 was $95,073.82; for rentals, $60,756.23.

The **Chairman**: And the total cost?

Mr. **Geary**: So that you have about $160,000 of other cost.

Mr. **Fairweather**: The total cost, after deducting the revenues received, is $420,000.

Sir **Henry Thornton**: What Colonel Geary asks is after we have included the charge for leases and for talents, what is the balance, what does it consist of?

Mr. **Fairweather**: Wages and a small amount for personal expenses, rental of telephone lines, telegraph charges and miscellaneous.

Sir **Henry Thornton**: When we give a whole Canada broadcast, we charge the radio with a proper proportion for the use of the telegraph line, which accrues to the telegraph department.

Mr. **Geary**: You absorb all the charges?

Sir **Henry Thornton**: Yes.

Mr. **Hanson**: Shall we carry Mr. Duff's question?

Mr. **Duff**: Question, Mr. Chairman.

The **Chairman**: Are there any more questions arising out of the Canadian National Railways Annual Report and the estimates?

Mr. **Geary**: One more, if I may. At page 2 of your Estimated Financial Requirements for 1931, a third of the way down the item Central Region, you will find other stations and shelters, 6—I suppose that is six in number, $35,610.

Sir **Henry Thornton**: What letter is that, of the index?

Mr. **Geary**: It is in G, page 2.

Those are specific stations, are they?

Sir **Henry Thornton**: Oh, yes.

Mr. GEARY: Now, can you switch one of those stations? Can you put another station in place of the six?

Sir HENRY THORNTON: Have we done that, Mr. Smart?

Mr. SMART: Why, yes.

Sir HENRY THORNTON: Yes, that could be done, Colonel.

Mr. GEARY: So that Watford could be in that, and Watford might not get a station, but Komoka would?

Sir HENRY THORNTON: That is a possibility. This $35,000 is made up of certain specific stations with respect to which certain things are to be done. I should say that the number of cases in which they would be any alteration would be negligible; but if you ask me the academic question, can we switch from one station to the other, the answer is yes.

Mr. GEARY: And you have $57,000 further down for a seventh station, if you want to.

Sir HENRY THORNTON: I should think the answer to that question would be yes.

Mr. GEARY: We do not know anything about these individual stations, but you can arrange those so as to include five, six or eight?

Sir HENRY THORNTON: I have the items here.

Mr. GEARY: As long as you get rid of London, I will be satisfied.

Sir HENRY THORNTON: That station is over eighty years of age.

Mr. GEARY: It is about good enough to go on your watch chain.

Sir HENRY THORNTON: It might go on yours, but I have not any watch chain.

Mr. FRASER: On Exhibit H, the second item from the top, you will notice that is for the Western Region. Look at the second line, line diversion Westfort, Ontario,—what relation has that to the Western Region?

Mr. SMART: The Western Region begins at the head of the lakes and from there West.

Mr. FRASER: Where is Westfort, then?

Sir HENRY THORNTON: It is west of Fort William, and that is why it is called Westfort.

Mr. FRASER: You have made the statement that you have made no reduction in wages during the year, talking of section men and that sort of thing. You made a reduction in the price of your ties in British Columbia. I know as a fact that your price for ties was reduced from seventy to fifty-seven cents. How do you justify reducing the wages of tie-makers and not reducing the others? Why do you reduce the tie-men and not the others?

Sir HENRY THORNTON: Because the one is a contract which you let, and the contractor can take it or leave it as he likes; and the other is an employee of the company who is working under a contract which we have made with the recognized trades union.

Mr. FRASER: It is a contract, true enough, but you do not give him much leeway in making the price.

Sir HENRY THORNTON: If you were going to buy a horse, if you could get that horse for $50, you would not go out to the proprietor and say, I would like to give you $75 for this horse.

Mr. HUNGERFORD: And we could have bought several the number of ties we wanted for that price.

The CHAIRMAN: Is there any further question to be asked? If you carry this resolution of Mr. Duff's, this book is closed as far as we are concerned.

Sir HENRY THORNTON: I would like to say that if any member of this committee at any time wants to ask any question, whether it is at this meeting or at any time subsequent during the year, I will be only too glad to place at his disposal any information we have got.

The CHAIRMAN: But it will not be placed through the chairman.

The motion of Mr. Duff reads as follows: That the annual report of the Canadian National Railways for the year ending 1930 and the estimated expenditures for the present year be received and adopted.

Mr. GEARY: Mr. Chairman, I do not see that this committee has any power to adopt the report. They report it to the House and the House adopts it.

The CHAIRMAN: According to my recollection, that has always been what the committee has done. I do not want to depart from any rule.

Mr. HANSON: I know that has been the practice, but I think we should add to that motion, and I would ask Mr. Duff to incorporate it; that this committee very earnestly recommends to the management a reduction in the capital expenditure and the operation expenditure wherever it may be, in order to carry out the wish here, that ought to be expressed in concrete form.

Mr. HANBURY: Mr. Chairman, I would say that there is a Board of Directors and management beside the Minister, and I would be prepared to leave that with the management.

Mr. BEAUBIEN: When this report is presented to the House, any member can move an amendment to that report if he desires to do so. The House has full jurisdiction over all that we have done here.

The CHAIRMAN: As chairman of this committee, I propose to present a report to Parliament, which I propose to ask this committee to endorse, and in that report I intend to incorporate a statement of that kind, so that this resolution only partly gets rid of our work. This advances us so much, and the plan has got to come before you.

What is your pleasure regarding this motion? Will you just signify it in the usual manner? I declare the motion carried.

Mr. HANSON: Mr. Chairman, I think we ought to follow this up by reporting Bill 79 and also Bill 83. I have pleasure in moving that Bill No. 79 be reported.

Mr. DUFF: I second the motion.

Mr. GEARY: What does that mean?

Mr. HANSON: We have been discussing the budget which makes up $68,500,000, and it is a matter of importance that we report this Bill and it has been referred to us by the House for that purpose.

Mr. DUFF: And it is necessary to report it immediately, Mr. Hanson?

Mr. HANSON: I do not know that it is, but I think it is well to get it out of the way.

The CHAIRMAN: It is moved by Mr. Hanson, seconded by Mr. Duff, that Bill 79 referred to this committee by the House be reported by this committee without amendment.

Mr. DUFF: And the same thing with respect to Bill 83.

The CHAIRMAN: It should be explained, I think. The Minister has explained that they are adopting a different method this year from other years. This year they are passing Bill 79, authorizing the Canadian National Railways to make provision for these moneys; and Bill 83 authorizes the government to guarantee the securities. Do you want to make two separate motions?

Mr. DUFF: Yes.

The CHAIRMAN: Moved by Mr. Hanson, seconded by Mr. Duff, that Bill 79 referred to this committee by the House be reported to the House without amendment.

I declare that motion carried.

Mr. HANSON: I move the same motion in regard to Bill 83.

The CHAIRMAN: It has been moved by Mr. Hanson, seconded by Mr. Duff, that Bill 83 referred to this committee by the House be reported by this committee to the House without amendment.

What is your pleasure in reference to this motion?

That is carried.

Sir HENRY THORNTON: I take it, Mr. Chairman, that this committee will meet with respect to the operations of the Canadian Government Merchant Marine. The hour is a little late, but I have a statement which I would like to make, and which has to do with the railway situation but at the same time it can be just as well made to-morrow morning or some other time when this committee convenes; but I would not want the committee to disperse without my having an oportunity of making a general statement which I think has to do with the transportation situation in Canada.

Mr. HANSON: I think every opportunity ought to be available, Sir Henry.

Sir HENRY THORNTON: If you do not mind my making that statement to-morrow, it is not contentious.

The CHAIRMAN: I think there will be enough business to keep us going for another sitting.

Mr. McGIBBON: Why not have it done to-night, and then it will be clear for to-morrow with the Merchant Marine.

Mr. BEAUBIEN: It is now six o'clock, Mr. Chairman.

Sir HENRY THORNTON: I would rather that the Minister should be here.

The CHAIRMAN: To-morrow morning at 11 o'clock.

The committee adjourned to meet on Thursday, June 25, at 11 o'clock a.m.

SESSION 1931

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 10

THURSDAY, JUNE 25, 1931

WITNESSES:

Sir Henry W. Thornton, K.B.E., President of the Canadian National Railways.

Mr. S. W. Fairweather, Director, Bureau of Economics, Canadian National Railways.

Mr. J. B. McLaren, Comptroller, Finance Department, Canadian National Railways.

Mr. R. B. Teakle, Vice President, Canadian National Steamships.

Mr. B. J. Roberts, Department of Finance, Ottawa.

Mr. A. H. Allan, General Manager, Canadian National Steamships.

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MEMBERS OF THE COMMITTEE

HON. JAMES DEW CHAPLIN, *Chairman*

and Messieurs

Beaubien,
Beil *(St. Antoine)*,
Bothwell,
Cantley,
Duff,
Euler,
Fiset *(Sir Eugène)*,
Fraser *(Cariboo)*,
Geary,
Gobeil,
Gray,
Hanbury,
Hanson *(York-Sunbury)*,
Heaps,
Kennedy *(Peace River)*,
McGibbon,
MacMillan *(Saskatoon)*,
Manion,
Power,
Rogers,
Stewart *(Lethbridge)*.

JOHN T. DUN,
Clerk of the Committee.

REPORTS OF THE COMMITTEE

WEDNESDAY, June 25, 1931.

The Select Standing Committee on Railways and Shipping, owned, operated and controlled by the Government, beg leave to present the following as their second report.

Your Committee have had under consideration the following Bills, and have agreed to report the said Bills without amendments, viz:—

Bill No. 79, An Act respecting the Canadian National Railways and to authorize the provision of moneys to meet expenditures made and indebtedness incurred during the calendar year 1931; and

Bill No. 83, An Act respecting the Canadian National Railways and to authorize the guarantee by His Majesty of securities to be issued under the Canadian National Railways Financing Act, 1931.

All of which is respectfully submitted.

J. D. CHAPLIN,
Chairman.

MINUTES OF PROCEEDINGS

MORNING SITTING

THURSDAY, June 25, 1931.

The Select Standing Committee on Railways and Shipping, owned, operated and controlled by the Government, opened proceedings at 11.15 o'clock. Hon. Mr. Chaplin, Chairman, presided.

Members present: Messrs. Beaubien, Bell (*St. Antoine*), Bothwell, Cantley, Chaplin, Duff, Euler, Fraser (*Cariboo*), Geary, Gobeil, Gray, Hanbury, Hanson (*York-Sunbury*), Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Manion, Power and Rogers, 19.

The Chairman announced that the matter first to be taken up by the Committee would be a discussion on Canadian National Steamships, whereupon Sir Henry Thornton, in accordance with an intimation he had given at the previous meeting, prefaced the general discussion by making a statement on the general transportation situation, and in the course of his remarks made the suggestion that the Government appoint a commission comprised of outstanding business men to consider the transportation situation and arrive at some definite recommendation. A general discussion followed.

Canadian Government Merchant Marine considered. Many questions answered by Sir Henry Thornton, Mr. R. B. Teakle, Vice-President, Canadian National Steamships and other officers of the staff.

Mr. B. J. Roberts of the Finance Department, Ottawa, was asked to make a statement in respect to the loss by the Government through loss and sale of boats, interest and depreciation; and the manner in which the accounts were kept.

Discussion continued to one o'clock, when the Committee adjourned to resume again at 4 o'clock p.m.

AFTERNOON SITTING

The Committee resumed with a quorum at 4.20 o'clock. Hon. Mr. Chaplin, Chairman, presided.

Members present: Messrs. Beaubien, Bothwell, Cantley, Chaplin, Duff, Euler, Fraser (*Cariboo*), Geary, Gray, Hanbury, Hanson (*York-Sunbury*), Kennedy, McGibbon, Manion and Rogers,—15.

Discussion continued re Canadian Government Merchant Marine. After further consideration,

Mr. Duff moved, seconded by Mr. Hanbury:

That the Twelfth Annual Report of the Canadian Government Merchant Marine, for the year ended 31st December, 1930, be received and adopted. Carried.

The Report of Canadian National (West Indies) Steamships, Limited was taken under consideration. After extended discussion, *Mr. Euler moved, seconded by Mr. Beaubien,*

That the Second Annual Report of the Canadian National (West Indies) Steamships, Limited, for the year ended December 31st, 1930, be received and adopted. Carried.

After further general discussion,

Mr. Duff moved, seconded by Mr. Hanson (York-Sunbury):

That the Estimates comprising the following items, viz: 379. Loan to Canadian National Steamships (Canadian Government Merchant Marine, Limited); 380. Loan to Canadian National (West Indies) Steamships, Limited; and 381. 382. Amounts required to provide for payments re Maritime Freight Rates Act, be received and adopted. Carried.

Ordered, that report be made to the House.

The Committee adjourned to the call of the Chair.

E. L. MORRIS,
Acting Clerk of the Committee.

MINUTES OF EVIDENCE

MORNING SITTING

House of Commons, Room 368,
Thursday, June 25, 1931.

The Select Standing Committee on Railways and Shipping met at 11 o'clock a.m., Hon. J. D. Chaplin, the Chairman, presiding.

The Chairman: This morning's discussion will be the Canadian National Steamships.

Sir Henry Thornton: Mr. Chairman, the last thing at the yesterday afternoon meeting, I said that I would like to say a word or two upon the general transportation situation. The hour was late, and yourself and the committee were good enough to say that that might be postponed until this morning.

I would like to preface my remarks with the statement that what I have to say is offered purely as a suggestion. It might even seem an impertinence to make a suggestion, but I do not want it to be regarded as anything more than a suggestion which is born of a patriotic desire to see that thing done which is best for the Dominion of Canada with respect to its transportation problems.

I would also like my statement to be regarded as without prejudice of any sort, and also regarded as coming from one whose remaining days must necessarily be spent in Canada; and like the rest of you, all of us who expect to live and die in this country have at heart patriotically and sincerely the welfare of the country, irrespective of what divergence of views we may hold.

The discussion that we have had since this committee assembled and the facts which have been well known to everyone during the last year or more clearly indicate that a situation of serious importance confronts the transportation interests of Canada.

Professionally speaking, that is to say speaking for the profession of transport as a whole and with no reference to any particular company, I think I am safe in saying that those who are engaged in such activities have endeavoured to conscientiously, sincerely and intelligently execute their responsibilities in the face of very difficult times. We are all of us seized with the importance of the whole problem.

The business of transportation, in its effect on such a country as Canada, is one of its major factors, for the very simple reason that the largest activity which we have, namely agriculture and the marketing of the production from that activity, involves the carriage of the production a long way by rail before it reaches the ocean and can be exported to foreign countries.

The largest single operation which we have in Canada, from an economic point of view as well as from a financial point of view, is the raising, reaping, shipping and selling of our wheat crop. Pretty much the whole of the success of this country in each individual year turns upon how satisfactorily, how successfully that operation is carried out; and in that series of operations which commences with the planting of the seed and ends with the sale and export of the fruition of that seed, one of the large factors is transportation, and because our crop is raised largely in the interior of the country and travels a long way before it reaches the port of export, transportation must necessarily be a very large factor in the business activities and the economics of the country.

In that respect we differ from the Argentine, where the average haul of wheat for export is perhaps not more than about 300 miles. Our haul would be several times that. The same thing is true of the activities in other lines of other countries, such as manufacturing, where the haul on the production to its point of consumption is relatively small.

The United States had at one time quite a similar problem in that most of their wheat was raised in the interior and had to be shipped almost similar distances for export; but that situation is changing because the United States, on account of the population of approximately 120,000,000 people, has established a very considerable home consumption for their own product, with a corresponding reduction in the transportation problem relating to the marketing of that production.

All of the transportation officers, irrespective of the company which happens to employ them, have, as I have said, been carrying out their responsibilities under the conditions which confront them, to the best of their ability.

In this committee and throughout Canada one frequently encounters divergence of views with respect to our transportation policy. Now, I suggest that the time has come when we should perhaps, from a national point of view, take our latitude and longitude and determine our position with respect to this large activity of transport and its relationship to the marketing of our large production, and that after determining that latitude and longitude and trying to see where we are, and taking some account of the trade winds that blow, we should endeavour from a national point of view to determine a course to be steered.

I therefore suggest, and it is only suggestive, it does not involve any action on the part of this committee whatsoever, it is only the expression of a personal thought on the part of one who has been through a good deal of anxiety and realizes, as you all do, the importance of the problem, and is trying to seek some instrumentality which will put us upon a course which will generally be recognized as sound; and I therefore purely suggest that the government should appoint a commission of men who, because of their business standing, their knowledge and experience and the confidence which the public has in them because of those attributes, to consider the transportation situation and endeavour to arrive at some definite recommendation.

That is all I have to say on the subject, gentlemen; but I would again repeat, perhaps to the point of nausea but in order that it may not be misunderstood, that in making this suggestion I have only at heart what I believe to be the welfare of the country and an earnest desire that the policies of this country with respect to transportation should be carefully, exhaustively and intelligently determined upon.

Hon. Mr. EULER: You are referring to the general transportation system.

Sir HENRY THORNTON: Yes. I may say that in the United States that country suffered very materially from having no transportation policy whatsoever, after the close of the Civil War, with respect to railways that were built west of the Mississippi river. Groups of individuals who saw opportunities to exploit the country, and perhaps at the same time to exploit investors, went into the field; railways were built with no regard one for the other; and the result of that operation was, that hit or miss fashion of doing things, that there was loss in capital and in interest; and those losses to the investing public of the United States to date reach the colossal sum of three billions of dollars. That is an example of what happens unless there is some sort of considered, orderly procedure.

Hon. Mr. EULER: Do you refer to investments in railways, Sir Henry?

Sir HENRY THORNTON: In the United States, I am referring to investments in railways; by that I mean in capital stocks and funded debts.

That is all I have to say, gentlemen; and, as I said before, it is merely suggested and does not necessitate any action upon the part of this committee; but I have felt, as one who had at heart the interests of the country, I should make that suggestion.

Hon. Mr. MANION: May I ask a question, Mr. Euler, I think, really covered it, but I would like to make sure what you have in the back of your head. Your suggestion is that a commission of business men should be appointed to look into the whole transportation question, not only of the Canadian National Railways but the Canadian Pacific Railway, all the transportation question, in this country, including both railways.

Sir HENRY THORNTON: I think, if I might be so impertinent as to suggest the terms of reference to such a committee,—and while I said business men, I did not necessarily mean business men alone; I think there should be included in such a committee economists, those who can contribute useful thought upon the subject. Business men have no monopoly of intelligence.

Hon. Mr. MANION: Those of us who are not business men will agree with that.

Sir HENRY THORNTON: One sometimes finds intelligence buried in the halls of education, and you sometimes find a lot of intelligence with the track labourer, and now and then there happens to be a friend who comes forward and accuses railway employees of having intelligence. One never can tell.

To continue with what the Minister has said, I think if anything is done the terms of reference should be sufficiently broad to permit a committee of this sort to ventilate the whole subject completely, and that they ought to have a pretty free hand to go into anything that in their judgment relates to the welfare of the country from a transportation point of view.

Mr. HANSON: Would you include in the terms of reference the cost of operating railways on this continent?

Sir HENRY THORNTON: That would have to be within the terms of such a reference. I doubt if any such committee could come to any conclusion without taking that into consideration.

The railway transportation problem is born of the fact that we in Canada produce in the aggregate the thing which represents our greatest activity in the centre of the country, an average of probably two thousand miles away from the port from which that production must move if it is to be sold to the outside world; and our success in Canada is going to depend upon the difference between what it costs us to produce and what it costs us to sell; in other words, taken as a business enterprise, the success of our business enterprise, which we will call for the moment Canada, depends upon what is the spread between our cost of production and the price at which we sell that production to the outer world; in other words, the balance of trade.

Mr. GEARY: Would you indicate any point toward which that committee should direct its efforts?

Sir HENRY THORNTON: No, Colonel.

Mr. DUFF: I would suggest that the Board of Directors of the Canadian National Railways should do that instead of appointing a committee.

Mr. FRASER: How about the Canadian Pacific Railways?

Mr. DUFF: Oh, I see,—the two railways?

Sir HENRY THORNTON: I would say, Mr. Duff, that I hope there are enough individuals in this country who would be useful and acceptable members of such a committee to perform that service as a patriotic contribution, without pay. I was not for a moment suggesting anything else.

Mr. HANBURY: That is a detail.

Sir HENRY THORNTON: As Mr. Hanbury says, that is a detail.

Mr. HANSON: Would you include in your order of reference what the activities of that committee should be?

Sir HENRY THORNTON: No.

Mr. MACMILLAN: Are the conclusions to which you have arrived due to the conditions of the railway?

Sir HENRY THORNTON: That has obviously been one of the factors.

Mr. MACMILLAN: That is the prime factor, is it not?

Sir HENRY THORNTON: I would not say it was the prime factor. As a matter of fact we find the Canadian Pacific Railway not in any opulent position at the moment. Let me say here, I defy anyone to find any public statement which I have made which has been in any way derogatory of the Canadian Pacific Railway. As railway men, like lawyers, we may fight a bit in Court, but we have some regard for the ethics of our profession, when we come to discuss it from a professional point of view, and the officers of the Canadian Pacific Railway and the officers of the Canadian National Railways are all officers in that profession, and we have a high regard for the ethics which we try to maintain.

Mr. MACMILLAN: I think possibly that men and women all over Canada to-day are very much perturbed and upset about the whole fabric—

Sir HENRY THORNTON: Precisely.

Mr. MACMILLAN: And that is one of the motives which actuated me—I do not want you to misunderstand me.

Sir HENRY THORNTON: I understand that. After all, every Canadian citizen may have his own views with respect to what should be done with this or that thing, but at bottom every Canadian citizen has at heart the welfare of his country, and if that is not true, the sooner we quit the better.

Mr. CANTLEY: How long do you think this investigation would take, as regards time?

Sir HENRY THORNTON: Well, I should not think it should be an excessive length of time. I should think that I cannot conceive, Colonel, that it would be certainly any more than—I should say twelve months would certainly be the maximum. I should be very surprised, and I am only guessing, your guess is just as good and probably better than mine, because you have had more experience with the deliberations of commissions and public bodies, so your estimate would probably be better than mine.

Mr. DUFF: Large bodies always move slowly.

Sir HENRY THORNTON: You cannot expect a steam roller to move with the same agility as a squirrel.

Mr. CANTLEY: I think it would be difficult to get competent men to spend twelve months on the job.

Sir HENRY THORNTON: I do not imagine for a minute they are going to spend eight hours a day every day for twelve months.

Mr. CANTLEY: Your idea is they report to the government.

Sir HENRY THORNTON: After all, we have a government, and that government whether it be one party or another, it is at that time, the government, and whether it be Liberal, Conservative, or Progressive—

Mr. CANTLEY: I am not referring to that.

Sir HENRY THORNTON: —it is for the time being the leaders of the country, and I might say there too, at the same time, it might be well that this committee should consider looking at the transportation on the waterways situation, which is a repercussion, or is likely to have a repercussion on the rail transport situation.

Hon. Mr. EULER: The word "transportation" will cover that.

Sir HENRY THORNTON: Yes, that is the reason why that word was chosen.

Hon. Mr. EULER: It will cover truck transportation and bus and everything else.

Sir HENRY THORNTON: If they are going to do it, they might as well do the job. When it is done, if it takes a little longer time, when it is done it ought to be done and finished, and it ought to be of such a character that the people of Canada will have sufficient confidence in the report, and if it is adopted say, "Well now, that is the policy of this country and we are going to stick to it".

Mr. HACKETT: Everything is included in it except the decalogue; I think you ought to include that.

Sir HENRY THORNTON: I have no objection to including an examination of the Bible. You will find in the Bible a number of examples of transportation. Noah was perhaps one of the greatest live stock agents the world has produced. He built the first ship and he had a keg of whisky in it, too. Here is what happened: Noah asked the Lord for two kegs of whisky, and the Lord said, "No, you cannot have two kegs of whisky." He said, "Well, I need two kegs of whisky, I want to put one on one side of the ship, and one on the other, and if I don't have two the ship will be out of balance." The Lord said, "No, you only need one keg, and you can put it in the middle."

Mr. HANSON: I think, Mr. Chairman, the suggestion was a highly constructive one, and this committee ought to give attention to it. I think we ought to go on now with something else.

Sir HENRY THORNTON: I shall have to ask your apologies for mentioning that now. As you know, it was near six o'clock when we adjourned last night, and I thought it was better to postpone it until the morning.

The CHAIRMAN: The matter can be taken up by the committee alone at another time. Let us get on now with the business.

Mr. CANTLEY: You did not indicate what that general consideration would involve.

Sir HENRY THORNTON: I have no more to say with respect to that, Colonel, than I have already said.

Mr. CANTLEY: A general consideration of the state of transportation throughout the Dominion of Canada.

Sir HENRY THORNTON: Precisely.

I really think I ought to apologize for perhaps a thing that might be regarded as almost impertinence, but I have at heart, and we all of us have at heart, the welfare of the country, and that is why I venture to make the suggestions which I have made.

Mr. MACMILLAN: That is what we employ you for.

Sir HENRY THORNTON: I shall try to earn a little bit of my salary.

We have, Mr. Chairman, to consider this morning the Canadian Government Merchant Marine.

The CHAIRMAN: Each of you, I think, has a statement of the Canadian National Steamships, which includes the Canadian Government Merchant Marine and also the Canadian National West Indies. Anybody that has not one of those may get it.

Sir HENRY THORNTON: Mr. Chairman and gentlemen: The deficit sum which has accrued as a deficit for the operation of the Canadian Government Merchant Marine, an amount that the government is being asked to contribute this year or provide on account of the total estimated deficit, is $588,000. Now, annually for the last eight years since the present officers have been in charge of the property, we have appeared here and presented a report which has always involved a deficit. There has never been a profit and while we have endeavoured to operate those vessels as the agents and trustees for the government, and have tried to do that as efficiently as possible, there has each year been a substantial deficit.

Hon. Dr. Manion: An operating deficit.

Sir Henry Thornton: An operating deficit. I am not speaking of interest on capital which, of course, is considerable.

Hon. Dr. Manion: Or depreciation.

Sir Henry Thornton: Or depreciation. We are all aware of the circumstances which led to the formation of the Canadian Government Merchant Marine and the ships which are so represented. I think the time has come when some consideration—and I think it was mentioned last year—ought to be given to what we are going to do with the Canadian Government Merchant Marine. That is to say, whether the deficits which are annually felt are measurably met by some form of advantage which the manufacturing and marketing agencies of the country experience. I say I think probably the existence of the Canadian Government Merchant Marine has been of more advantage to the Pacific coast than it may have been to other parts of Canada, and I think that advantage has been substantial.

Now, this committee, however, if I may venture the statement, I think ought to realize that the time has come when some decision should be made as to whether we are to proceed to continue the Canadian Government Merchant Marine policy, or if not, what policy is to be adopted. We have from time to time each year disposed of at such prices as could be obtained vessels which were not needed for the operation of the Merchant Marine. All of those vessels were sold at a very considerable loss. On the other hand, it is only fair to remember that when those vessels were built they were built for a specific purpose, which was one of the exigencies of the war, and built at a time when the cost of building was extremely high. But, at any rate, here is a problem of national importance, with which no doubt the committee wish to deal. We have operated those vessels simply as agents and trustees of the government, and as I said, we have tried to do it as well as we could. Now would you like to proceed with an examination of the report in detail?

Mr. Geary: Can you tell us now what course the United States government adopted in regard to their Merchant Marine?

Sir Henry Thornton: The United States government embarked upon a pretty widely flung policy of constructing vessels during the war for war purposes. I think they spent a most prodigious sum for that purpose, and I have seen not hundreds of ships, but acres of ships near Norfolk in storage, so to speak. I should hate to say how many there were. You could not call them squadrons, or even convoys, they represented acres.

The Chairman: They extended for miles, not acres.

Hon. Mr. Manion: Going down the Hudson I noticed they were somewhat the same.

Sir Henry Thornton: Yes. So that the answer to your question, I should say, is that the United States certainly spent hundreds of millions of dollars in that adventure, if one may call it such, although they might have been justified at that time, because no one knew how long the war was going to last. At any rate, the United States government spent hundreds of millions, and has lost, I should say, hundreds of millions.

Mr. Geary: My question is directed to this: how did they close the account?

Sir Henry Thornton: I do not know as to that. I should think what they did is, they simply sold their ships for what they could get and wrote it off, wrote it off as a bad debt.

Mr. Hackett: Is it not a fact that the United States went off the shipping business in as far as operation goes in 1921?

Sir Henry Thornton: I think the United States did have what is known as the United States Lines. For instance, the Leviathan is still running and they are very heavily subsidized, Mr. Hackett.

Mr. Hackett: I am not talking about passenger service; I am talking about the Merchant Marine and the freight service that was brought into existence during the war.

Sir Henry Thornton: I think perhaps Mr. Teakle who is in charge of the Canadian Government Merchant Marine can tell you something about that. Mr. Teakle, will you tell Mr. Hackett and the committee about that?

Mr. Teakle: When they first started out in their programme, they allotted the ships to various operators.

Mr. Geary: Excuse me just a moment, would you stand up, I cannot see you?

Mr. Teakle: When the ships were built and turned out from the yards the United States government turned the ships over to various operators, with certain rights and so on. As time went on they found it rather a very expensive proposition and they endeavoured to sell as many ships as they could. As the president has said, the United States Lines is one of the results of that. They have given each of the systems very heavy subsidies in mails. Other ships they have operated, but they are trying to dispose of as many of their ships as they possibly can.

Hon. Mr. Euler: Including passenger boats?

Mr. Teakle: I do not say anything about passenger boats.

Hon. Mr. Euler: Are they trying to sell those boats?

Mr. Teakle: The United States Lines took over some.

Mr. Hackett: This is a different service.

Hon. Mr. Euler: I think the United States has abandoned the shipping business—

Mr. Hackett: My question is, is it not a fact that the United States abandoned the carriage of freight as a business in 1921? I know that they are operating the line in competition with British and German mail carrying ships.

Mr. Teakle: That is true in principle, but they have got around it in another way by taking care of the operators. They give heavy subsidies for the carriage of mails.

Mr. Duff: Another reason in addition to that is they had a large number of privately owned ships in the United States, which we did not have.

Sir Henry Thornton: Yes.

Mr. Duff: A large number of privately owned ships to do the business.

Sir Henry Thornton: Yes.

Mr. Hanson: Coming back to the subject immediately under consideration, I should like the committee to turn to the income account of the year ending 31st December, 1930 and 1929, and look those figures over. You will find on page 8 the operating revenue for 1930 was $5,164,903.11; in 1929 it was $8,371,444.23. The operating expenses for 1930 were $5,999,114; in 1929 the operating expenses were $9,250,348.44, leaving a defiicit of $834,210.89 in 1930, and $878,907.21 in 1929, including other charges, the net income deficit in 1930 was $5,844,757.39, and in 1929, $5,928,758.83. If you will turn to the Consolidated Balance sheet on page 7, you will observe that the profit and loss account for this company shows a deficit during those years of over $57,000,000. I think that those figures, especially the latter figure, tells its story to this committee, and apropos to Sir Henry's suggestion that we should make some recommendation, I have in mind a very definite recommendation to make, and that is that this country should get out of the shipping business as such, take our loss, sell the ships, and leave the operation of those mercantile rights to private enterprise. If you will follow the history of the routes you will observe route after route has been attempted without success, with the possible exception of some of the Pacific coast, to which reference has been made, route after route has been abandoned. But the whole story is one long story of operating losses; and I do think that this country, irrespective of the history of the project, should drop those lines, and go out of the business, especially at this time when private enterprise is finding it so hard to compete against government enterprise. Take for instance the South African route. You maintained a line, I understand, to South Africa,—

An Hon. Member: Not South Africa, South America.

Mr. Hanson: Have you ever been in the South African business?

Sir Henry Thornton: No; you probably mean South America.

Mr. Hanson: I know about South America. I understood that you had at one time two sailings out of the city of Saint John for South Africa.

Sir Henry Thornton: Mr. Teakle says no.

Mr. Cantley: Australia and New Zealand.

Mr. Hanson: Take them. Perhaps I am not well informed as to what the routes are. I think this committee should give serious consideration to making a recommendation that these boats should be laid up and sold for whatever they will bring, and that this country should get out of the steamship business in so far as it relates to the Canadian Government Merchant Marine.

Hon. Mr. Euler: May I ask a question in connection with that? Would the abandonment of these services and the selling of these vessels have any prejudicial effect on your railway freight business?

Sir Henry Thornton: Well, some. I can give you a little information on that. While it is being looked up I should like to say this, which is prompted by what Mr. Hanson has said. We have from time to time abandoned routes which we find to be exceedingly unprofitable. In other words, when we found a route or certain voyages which were unprofitable and there was no detriment in our judgment to the interest of Canada, we have withdrawn from that field because we felt that that was the intelligent thing to do.

Hon. Dr. Manion: May I ask, Sir Henry, in regard to Mr. Euler's question, to carry it a little further, would you make the general statement that the steamship business has not given you sufficient traffic indirectly on the railways to make up for the loss on the steamships? That is really what you meant, Mr. Euler?

Hon. Mr. Euler: Yes.

Mr. Hackett: Mr. Chairman,—

Sir Henry Thornton: Just a second, if let me answer these questions, let me get a swat at one ball before you pitch the second one. In respect to inter postal service, that is to say, service which runs between Halifax and Vancouver through the Panama Canal, the total gross earnings accruing to the Canadian National Railway as a result of the existence of the Canadian Government Merchant Marine, is $600,000.

Hon. Mr. Euler: It does not amount to a hill of beans compared with the loss.

Mr. HACKETT: Should you not have added to that loss the deficit of two and a half millions on the Canada West Indies Steamship line?

Mr. CANTLEY: That is a different service altogether.

Mr. HACKETT: I understand it is a different seervice. We are dealing, as I understand it, with whether or not the government should continue in Maritime transportation.

Mr. CANTLEY: No, that is not the question.

Mr. HANSON: That is not the point.

Sir HENRY THORNTON: We are discussing now what is known as the Canadian Government Merchant Marine, which excludes the West Indies service. That is a service which came into being as a result of a treaty that was executed between the government of Canada and the British West Indies themselves.

The CHAIRMAN: To get rid of Mr. Hackett, and in reference to Mr. Hackett's remark, I would say this, that we can discuss as a committee without reference to the officers of the railroad, any matter of policy, or anything of that kind between ourselves. What we want to do here is to get out the facts.

Mr. HANSON: I would like to ask a further question. In regard to the profit and loss deficit of something over $57,000,000 shown on page 7, is it not true that that does not tell the whole story of the losses; that in addition to that as you sold the ships you wrote off, and properly so, I am not criticizing what has been done—you wrote off the complete loss of the ship, the difference between what it cost and what you got for the ship, and that does not appear in this statement.

Sir HENRY THORNTON: What is the answer to that, Mr. McLaren?

Mr. McLAREN: In reply to Mr. Hanson, I would put it this way, the profit and loss of $57,640,000 odd, is mostly made up of depreciation of $17,700,000 odd and interest due the government on $28,400,000 odd. When a ship is sold the practice is to cancel the notes that are outstanding for the ship, it reduces that account, and reduces our investment account as well as adjusting the depreciation and the interest account.

Mr. HANSON: Seventeen millions, twenty-eight millions, and fifty-seven millions make one hundred and two million dollars, so that the losses to date so far as it has gone has been $112,000,000.

Mr. McLAREN: No.

The CHAIRMAN: No.

Mr. McLAREN: About $11,000,000.

The CHAIRMAN: It does not mean that at all. The difference between that and the $57,000,000 leaves the actual loss in operation, besides interest and depreciation.

Hon. Mr. EULER: What figure are you carrying the boats under?

Mr. McLAREN: The boats now are carried at $45,500,000 odd.

Hon. Mr. EULER: Is that at cost less depreciation written off?

Mr. McLAREN: No, that is the cost from the government.

Hon. Dr. MANION: From the government, the original cost was about $80,000,000 or $90,000,000.

Mr. McLAREN: The original cost is $45,000,000 as of the remaining ships.

Hon. Mr. EULER: That is the cost of these boats in the first place.

Mr. McLAREN: Yes.

Hon. Mr. EULER: Less depreciation?

Mr. McLAREN: No, not less depreciation. Depreciation is carried on the liability side.

Hon. Mr. **Euler**: Would you say that the depreciation that you have written off from year to year would bring the value of your boats around the real value?

Sir **Henry Thornton**: No, nothing like it.

Hon. Dr. **Manion**: The original cost was $90,000,000. I have the figures here. The original cost of the whole was around $90,000,000.

Hon. Mr. **Euler**: Is it now on the books?

Hon. Dr. **Manion**: I cannot give that.

The **Chairman**: $46,000,000.

Hon. Dr. **Manion**: There is a difference of $44,000,000 right there, and that would be in addition, I presume to the $57,000,000 profit and loss account. Is not that right, Mr. McLaren? What has happened to the $90,000,000 original cost of the ships? I am just trying to get it clear. These are official figures. The original cost was around $90,000,000 in round figures, the capital account. Now, the present capital account is $46,000,000. There is a difference of $44,000,000 there.

Mr. **Hanson**: Where has it gone?

Hon. Dr. **Manion**: The boats cost $90,000,000, and it is estimated that they are worth $44,000,000 to-day, but perhaps a good deal less. That is the capital account.

Mr. **Hanson**: I saw a statement some place that $44,000,000.

Hon. Dr. **Manion**: That is what I am trying to get at.

Mr. **Geary**: When you sell a ship you charge the investment account with the cost of the ship.

Sir **Henry Thornton**: Mr. McLaren, I think it was Mr. Hanson's question, when a ship is sold that ship gives us so much money, which has invariably been less than cost. What happens to the difference; is it written off?

Mr. **McLaren**: Let me put it this way. When you set this ship out in your investment account, it is turned over to the steamship company, you get a note for it, in other words, you have the same amount in the investment account as you do in the liability account in notes payable. Now, when the boat was sold that note was cancelled and likewise your investment was cancelled and the money received for the sale of the boat was turned over to the government.

Hon. Dr. **Manion**: What they are trying to get at and what I am trying to get at is this; there has been a loss on depreciation, there has been a loss on interest, there has been a loss on deficit. Then, in addition to that there has been a loss between the original cost of ninety millions and the present valuation of the boats. Is that added together?

Hon. Mr. **Euler**: What I want to get at is this: the Minister said a moment ago that the boats cost in the neighbourhood of ninety million dollars. Now, in the first place, were they handed over to the steamship company, at that figure, and if not at that figure, at what figure were they handed over, and how are they carried on the books and what are those boats worth?

Hon. Dr. **Manion**: May I just suggest this, that as Mr. McLaren appears to be puzzled, we should give him time to figure it out and get the facts absolutely correct so we will not get the wrong view.

Sir **Henry Thornton**: If Mr. Roberts of the Finance Department is here, he could give a complete explanation of this matter, as between the government and the company.

Hon. Dr. **Manion**: Yes, he can.

Mr. Roberts: I have not the figures with me, but I think I can clear the matter up. The cost of these boats, as Dr. Manion said, was roughly $90,000,000.

I have not the exact figures and I am just giving the rough figures. The cost was charged partly to the war appropriation, and partly to our capital expenditures at the time. You can see the factors and that that represents a total loss of about $43,000,000 to the government, because these boats represent a total loss now.

Since the boats were built, the government has paid out, leaving out interest on the original investment and leaving out depreciation on the boats, I think fourteen or fifteen million dollars—is that the figure?

Mr. Fraser: About twelve million dollars.

Mr. Hanbury: About eleven millions.

Mr. Roberts: That amount we have paid out and it represents cash losses, apart from depreciation and so on. Adding to that the value of the money from the time it has been paid out, you have really an estimate of the cost of maintaining the merchant marine; the item to which Mr. Hanson refers, $57,000,000, does not represent a total book loss because in that time some thirty-five ships have been lost or sold, and as they have been sold or taken out, the amount they represented has been just thrown out of the books. So that what you have here now is the loss represented by the fleet which we have to-day.

Mr. McGibbon: Do I understand you to say that that represents the Merchant Marine?

Mr. Roberts: All the boats were put in the merchant marine at the cost of the government.

Mr. Geary: $46,000,000 represents the thirty ships which you have there and has nothing to do with the ships which are gone?

Mr. Robertson: No.

Mr. Geary: When you sell them for $12,000,000, you charge the account with that $12,000,000?

Mr. Robertson: When they are no longer a liability, they are taken out of the books.

Mr. Hanson: Would it not be a simple way of getting at the loss if you took the cost of the boats and added to that the interest which has been paid and the losses year by year which the government has had to make up?

Hon. Mr. Manion: Plus the losses on those which have been sold and which are not in this account at all.

Mr. Hanson: If you take the original cost and what you have now, the difference must be the loss.

Hon. Mr. Manion: That is why I think Mr. MacLaren could make up a statement which he can put on the record here, giving it properly for us.

There was a question which I asked you, Sir Henry, some time ago in the melee which was going on and you did not get it. I would like if possible to get an answer to it. Do you consider that there is anything like sufficient freight coming to the railways indirectly through the steamships to make up the losses on the steamships?

Sir Henry Thornton: No, I do not.

Hon. Mr. Manion: Nor did I, and I thought you would agree with me.

Mr. Bell: That is the twelfth annual report of the merchant marine since its inception, and this figure which Mr. Hanson has referred to, the $57,000,000 loss, could we have a statement as to whether we are losing more each year or what is the condition of the merchant marine year by year?

Sir HENRY THORNTON: Our loss this year was a little less than last year. It has fluctuated up and down. Of course these boats are becoming less and less efficient; they are also becoming less and less efficient for comparative purposes, because newer and more modern types of vessels are coming into the field, motor boats, oil burners.

There has been the same progress in marine engineering that there has been made in other branches of engineering, and each year these vessels find themselves in a more disadvantageous competitive condition than they were the previous year, because newer, faster and more economical and more efficient vessels are being built and entering the field of water transport.

We have been able to do practically nothing with this merchant marine fleet. It stands to-day just about what it was when it was built, less depreciation; but do not forget that there has been a very material advance in the efficiency of ocean transport since the war, and against which we have had to struggle with quite inadequate weapons.

Mr. BELL: In other words, if we keep the merchant marine, we will have to build new vessels?

Sir HENRY THORNTON: My idea is that we should either go into the merchant marine business with effective weapons or get out of it. To go on as we are doing now is folly.

Mr. EULER: We are now getting out of it.

Sir HENRY THORNTON: We are gradually being massaged out of it with a loss each year. Now we have to make up our minds which we are going to do, either one way or the other.

Mr. McGIBBON: Which do you recommend?

Sir HENRY THORNTON: I recommend that we get out of it.

Mr. CANTLEY: What would happen with the business that these steamers now have on the different routes?

Sir HENRY THORNTON: We have largely used our vessels for trade exploration purposes. For instance, we established a service between Maritime ports and South American ports as an adventure, merely to see if there was any trade of sizable proportions between Canada and South America; and while we have not made any money on that service, the results were surprisingly encouraging. There is undoubtedly a field for trade between Canada and South American countries; but we are not going to be able to do much with that trade with the kind of implements we are working with. All I can say is that with what we had we have made an exploration and it looks promising; but if we are going into that with any degree of efficiency or satisfaction, it cannot be done with the weapons we are now using.

As a matter of fact, I might say, generally speaking, there is a very large field, I think, for Canadian trade in South America, and I think it is a field which, in the interests of the country, although it has nothing whatever to do with this, which the manufacturers of Canada are fully justified in exploring; and I think they will find it profitable for the very simple reson that South America, and I include in that Mexico, would rather trade with Canada than with Europe or with the United States.

We are in a peculiar position with the South American countries, including Mexico, but we are the friends of all and the enemies of none. No one attributes to Canada any territorial desires or acquisitiveness. We have not offended anybody. We occupy an extraordinarily unique position with respect to South American trade; and only a few days ago I had an intimation from the Minister of Finance of Mexico that they wanted to a reciprocal trade treaty with Canada. They want to trade with Canada because they know we covet nothing territorial which Mexico possesses.

Hon. Mr. **Manion**: I might say that Sir Henry brought that matter of trade with Mexico to the attention of the Department, and the Department of Trade and Commerce has been looking into it for some time.

Sir **Henry Thornton**: We have two unexplored fields which, I think, will ultimately prove very profitable to Canada, South America and the Orient. I think that could be left to private initiative.

Mr. **Duff**: If you tied up those boats or sold them, could you make arrangements with private steamship lines to carry on the business which you have worked up, for the railway?

Sir **Henry Thornton**: We could perhaps arrive at some sort of an understanding, but our trouble is that we have on hand this Canadian Merchant Marine and have no mandate to let go of it; and, as some of the members of this committee have expressed it, the time has arrived when we have to determine what we should do.

Mr. **Fraser**: It seems to resolve into subsidies—have you anything else?

Sir **Henry Thornton**: Not necessarily.

Hon. Mr. **Manion**: There are quite a number of lines which run into Canada without subsidies.

Mr. **Geary**: After you take out those boats—you have a balance of two or three million dollars—what would be the loss if you wound up the whole show to-day?

Hon. Mr. **Manion**: The vessels which have been sold, according to my recollection, have brought in the neighbourhood a little better than five per cent of the original cost. I may be a little low, but I mention that for the information of the committee.

Sir **Henry Thornton**: I cannot give Colonel Geary the answer right off the bat.

Mr. **Hanson**: Would it not be far cheaper for this country at this moment to lay up these ships than to operate them?

Sir **Henry Thornton**: I think it probably would, Mr. Hanson.

Mr. **Hanson**: My information is that private enterprise will take over the routes, and that ships are available to do it. Have you any information on that point?

Sir **Henry Thornton**: I want to give the answer to Colonel Geary's question. This is what would happen if we wound up the whole show to-day, liquidated it. It would result in our acquiring about $10,000,000 for the whole bag of tricks, that includes ships, and we have an insurance fund of about $3,500,000, and we have working capital of about $1,615,000.

Mr. **Hanbury**: What are the ships worth, Sir Henry?

Mr. **Duff**: Ten dollars a ton, if they only bring 5 per cent.

The **Chairman**: I suggest that any member of the committee can make as good a guess about the value of those ships as Sir Henry can give.

Sir **Henry Thornton**: If we sold these ships, they ought to be worth about two and a half millions. If we sold the ships we might get about $2,500,000 for them. It is not an easy thing to sell these ships, because they are not modern vessels. Some of these ships would go into illicit trades, which do not interest us.

Hon. Mr. **Manion**: Mr. Hanson asked a question in regard to private interests offering to take over these ships. May I say for the information of the committee that I was waited upon in the last few days by people who claimed that they could look after the trade? They were responsible shipping people.

Mr. HANSON: Would they do that without subsidies?

Hon. Mr. MANION: Yes, I should think so. Many of the steamship lines coming into Canada to-day are not getting subsidies. Without giving the name of the line or the port, the Canadian National Railway was paying a subsidy on a certain line coming into a certain port in Canada, and Sir Henry discussed with me about cutting off the subsidy; he told me that they had estimated that the subsidy the Canadian National Railways was paying to this line was an absolute loss; and it was said that if we advertised that we were cutting off this subsidy we would have all sorts of protests; so Sir Henry and I decided that the subsidy be cut off without saying anything about it, and see what happened. The subsidy was cut off and nothing has been said about it and the steamships are still running.

Mr. POWER: You will hear from them later.

Mr. CANTLEY: What was the tonnage of the *Canadian Trooper,* which was sold? It is on page 9.

Sir HENRY THORNTON: Have you got that information, Mr. Teakle?

Mr. TEAKLE: 4,540.

Mr. POWER: I do not know whether this question has been asked or not: Do the Canadian National Steamships receive subsidies from the Canadian Government on certain lines?

Sir HENRY THORNTON: On the South American line we receive subsidies.

Mr. POWER: That is what interested me. I do not know whether that has been brought up or not, but I have lengthy correspondence from one of the lumber merchants in Eastern Canada, the pine men principally, protesting against the payment of a subsidy to the Canadian National Steamships, which subsidies permit this line to put British Columbia timber into Eastern Canadian ports cheaper than they can produce it.

Mr. HANBURY: That is not the Canadian National but the Canadian Transport Company.

Mr. MANION: The statement has been made, both publicly and privately, on a number of occasions to me, that the overhead cost of management of the Canadian National Steamships was very much too high; extraordinarily large estimates of excess costs were made to me at different times. In looking over this report I have underlined what I would take in a general way to be overhead costs, management and office salaries, travelling expenses, printing and stationery, advertising, office supplies and expenses—those are in a general way what I would take to be overhead costs. I would like you to discuss with the committee for a moment what you consider management costs should be and how you consider this compares with what other steamship lines pay for those costs?

Mr. TEAKLE: Although at one time with the Allan's as far as the other lines are concerned, of course we do not have any access to their records; and as far as our merchant marine is concerned, we have held our expenses to the very minimum that we could possibly go.

I think I am safe in saying that, so far as salaries are concerned, they cannot in any way be considered exorbitant.

I might further say, in reply to the Minister, that we have at the present time in view a reduction due to the laying up of vessels and curtailment of service, possibly a fairly good reduction in salaries, which I have not yet been able to convey to the President.

As a result of my trip to Australia and New Zealand, to which the President sent me, we have been able to make substantial reductions which will be apparent in 1931. And I went out to the Coast and went into that sort of thing as well. In times of depression like this, one has to go out everywhere to try and get business; and while our gross revenue may not appear commensurate with our expenses, we have had to keep an organization intact in the hope that conditions would improve.

I can truthfully say I have never figured out what the actual percentage would be, but I can arrive at that if the Minister would like it.

Hon. Mr. Manion: I had a statement given to me by yourself or your officers some time ago, I think the statement was given me by my Deputy a month or more ago. I must confess that, without knowing anything about the running of steamships, the percentage which was worked out did strike me as being very heavy. However, I do not pretend to be a judge at all on that and I may be entirely wrong. That is why I asked if you could give the committee about the proper percentage which might be charged to overhead.

Sir Henry Thornton: Mr. Fairweather has this worked out here, and the percentage of overhead is 7 per cent.

Mr. Fairweather: That includes the items which you have mentioned.

Hon. Mr. Manion: This is the Canadian Government Merchant Marine; and then if you take the Canadian Government West Indies, it is the same staff, is it not?

Sir Henry Thornton: Yes.

Hon. Mr. Manion: It is rather complicated, but it seems to me you have to add the expenses together.

Mr. Fairweather: The percentage would be the same.

Sir Henry Thornton: Might I point out to the committee and the Minister that sometimes it costs as much or more to run an inefficient as an efficient machine. There is no good denying it, from a shipping point of view we have not an efficient machine; it is not a modern machine. The boats were built many years ago, and built under the stress of war.

Mr. Power: You told us seven or eight years ago that you did not know what these boats were built for.

Sir Henry Thornton: When?

Mr. Power: Seven or eight years ago you said to the committee that you did not know what these boats were built for; that when it was a question of carrying cattle, they were not cattle boats; if it was a question of carrying grain, they were not grain boats.

Sir Henry Thornton: I compliment you upon your memory. That is seven or eight years ago. These boats were built before and during the war, and since then the Government has tried to make the best use of them that they could. In the lapse of those seven years since the vessels were built, they have become less and less modern, and the fact is that today, and there is no use denying it, they are not modern and efficient boats. That is not a criticism of anybody, because no one could help that. We find that every steamship company is building newer and more modern boats; and you would build a more efficient boat today than you did fifteen years ago.

The Chairman: This committee, if I remember, was advised some time ago by Mr. Duff and others who knew about shipping to get out of this business because otherwise we would lose our shirt.

Mr. Power: Mr. Duff said at one time that they were only good for boot-legging.

Mr. Fraser: What does he know about boot-legging?

Hon. Mr. Euler: The purpose for which these boats were built no longer exists. They were built for war purposes. Let that go. It is perfectly evident that we are losing large sums of money and are getting nothing in return.

It has been stated and correctly so that if you are going to carry on this service you have to build more boats. As it is now the business is gradually dying. It is a question of whether we will have a slow or quick death. I have not heard a word from any member of the committee in favour of continuing these services, and the President, Sir Henry, is in favour of abandoning the whole thing. I would like to ask him his opinion as to when and how quickly this can be done.

Mr. Hanbury: Before Sir Henry answers that question, I think we have not taken into consideration the reason for operating this service at all. As I understand it, the reason this service is being operated is for the purpose of developing trade for Canada. We have not had one figure given us yet as to what trade has been developed for Canada.

Mr. Power: As I understand it, the whole point is that the boats are so inefficient that you cannot develop trade with them.

Sir Henry Thornton: That is going too far.

Mr. Hanson: I understand that the railway benefits about $600,000 from the freight.

Sir Henry Thornton: Take the export business to South America in the year 1930. We carried 21,436 tons from which a revenue accrued to the Canadian National Railways of $113,000. That is just to South America.

Mr. Hanson: Now the Pacific Coast.

Mr. Hanbury: What is the value of those commodities to Canada? We have not got that information.

Sir Henry Thornton: Perhaps this will throw some light upon it, the freight earnings which accrued to the Railway Company because of the following services are represented by the amounts that I will give you:

Australia	$208,000
New Zealand	223,000
South America	113,000

That is only from the exports. Now the imports—

Mr. Duff: That is $516,000 of exports.

Sir Henry Thornton: Australia $41,000; the Far East, $5,000. The whole thing runs up to about the figure which has been given you of about $600,000.

Mr. Hanson: Will you give us the sort of imports from South America.

Hon. Mr. Manion: That is the gross returns, of course.

Sir Henry Thornton: The imports from South America are mostly corn and linseed, which mostly goes into elevators, and we cannot trace it from that. We do not know whether we get it or the Canadian Pacific Railway gets it.

Hon. Mr. Manion: Two minutes ago Sir Henry was speaking of the business men, and he admitted that business men did not have all the brains. I was a member of the House of Commons when this whole steamship business went into being, and the whole thing was done upon the recommendation of one big business man in this country, and it was opposed by most of the back benchers in the House.

Mr. Power: We sat up all night then.

Mr. Hanbury: But some of those back benchers are not now back benchers.

Mr. Hanson: If you go back previously to 1917, you will recall that Mr. Pugsley was the sponsor of this idea.

Hon. Mr. Manion: I cannot go back that far.

The CHAIRMAN: Mr. Euler asked a question. Would you repeat your question, please?

Mr. EULER: I was trying to find out if this Committee determined that the thing should be discontinued, how soon could it be done,—in twelve months?

Sir HENRY THORNTON: You might say twelve months, although I am not at all sure that all the ships could be sold in twelve months.

Mr. HANBURY: You could sink them, though.

Sir HENRY THORNTON: Yes, they might be sunk. We might insure them in some outside agency and then send them up to Hudson Bay.

Mr. GRAY: How many are laid up now?

Sir HENRY THORNTON: Sixteen are operating and thirteen laid up.

Mr. POWER: Have you any commitments which would prevent you from laying them up right away?

Mr. TEAKLE: This has rather been my baby—if the Chairman and the Minister will permit me to say a few words, as a steamship man—not that I am afraid of my job.

Sir Henry has stated correctly that we have been working with obsolete tonnage. I give great credit to the Canadian Yards for the way in which they built the ships; they were well built and well found; and I am very pround of the deck officers and engineers of the Canadian Government Merchant Marine. But the President and ourselves have been up against an impossible task from the beginning.

It is only in the last two or three weeks that I have been trying to assist in the carriage of cattle. The ships are not suitable for the shipment of cattle, and the best we can do is to go out and help the Department of the Government to find space.

Referring to Australia, if we were to take that service off, I doubt whether we could get a company to take it up. We have joint Australian and New Zealand services, and by reducing the sailings from twenty-six to fourteen I think we may do something with them.

In South America we are pioneers, and I can confirm everything the President has said as to the possibility of trade. We have just had a goodwill ship and a goodwill party go down there. What would be the effect if we took that service off, I am not competent to say.

When I was out at Vancouver in April, talking to some of the gentlemen out there, they said, that service must continue. We could tidy everything up, I suppose, in three months,—I do not know what our commitments are,—and we could eventually liquidate it in a year or a year and a half. Having no fear about my job at all—I suppose something else would be provided for me—I think it would be a mistake until we get somebody to take up the routes we have got in order to preserve Canadian trade.

Mr. HANSON: You think it cannot be done precipitately.

Mr. TEAKLE: No, as I have said, at the present time we have either to go out of the business or get new ships.

Mr. McGIBBON: Haven't you now enough experience in the business?

Mr TEAKLE: We cannot compete against the faster liners.

Mr. GRAY: The thing he says is that he does not want to see the trade routes dropped.

Sir HENRY THORNTON: I assume, when we speak of going out of the business, that we are going to do it with some exhibition of judgment.

Hon Mr. MANION: This is a recommendation to the Government, and I have thoroughly enjoyed the discussion. I just mention that in the end it will have to be up to the Government to decide on the policy, and the Government would have to look into the trade with other countries.

Mr. Power: We could not and we should not make a recommendation that this business should be closed up right away. We would at least have to leave that to the discretion of the government.

Hon. Mr. Manion: If you make any recommendation along that line, it should be that the government should consider it.

Mr. Hackett: Do you suggest, Sir Henry, that we should get out of the West Indies?

Sir Henry Thornton: That is a treaty obligation.

Mr. Hanbury: Of the over head expenses of operating the Canadian Government Merchant Marine, would any proportion of those expenses be put on the Canadian National Railways, if that were done away with?

Sir Henry Thornton: No, it would not be a transfer of obligation. If we went out of the business it would not involve an increased expense to the Canadian National Railways.

Mr. Hanbury: There is no proportion of the expenses of the offices in those countries which would fall upon the Canadian National Railways.

Mr. Teakle: In New Zealand and Australia we have our own offices, reorganized during my trip down there. We have agents in the West Indies Islands and other countries. With our West Indian representatives, I consider we have a very good agreement; we pay them on a certain basis and I think Mr. Duff is familiar with that.

Mr. Duff: What do you pay them?

Mr. Teakle: I would not want to give that in public; I would rather give that in private. I flatter myself that we made a fairly good deal. With the approval of the Chairman, I would not mind telling you.

Mr. Duff: If it is less than two and one-half per cent, it is good.

Mr. Teakle: I can assure you it is.

I would like to go on with what I was saying. Going to Australia and New Zealand, we found that the service which we were operating at that time could not take care of all the business, and we were approached by business men to come in and assist. At the time the Dominion of Canada was paying subsidies of $140,000 a year for the monthly service to Australia and New Zealand, and those ships did not come back to Canada, and we brought the ships back to Canada and Canada immediately and promptly cleaned out that subsidy of $140,000.

As to South America—I cannot say as clearly and distinctly as to Australia—I think there was a line which was getting a subsidy, but I cannot say that we are giving an absolutely definite service to and from South America once a month.

Mr. Hanson: I would like to ask a question as to the coastal service. I think you said that the Canada West Coast interest had assured you that they thought that service ought to go on. May I say to you that the East Coast service are as definitely against that as the West Coast are in favour of it. You carry freight and you come definitely in conflict with the Eastern timber markets.

Mr. Teakle: At one time I served in Saint John, New Brunswick, and at that time you could get almost any quantity of spruce lumber. At the present time it is not possible to get that.

Mr. Hanson: I think Mr. Snowden prefers to trade with the Bosphorus.

Mr. Power: I think Mr. Hanson's objection is that you are dumping West Coast lumber into the East Coast market.

Mr. **Hanbury**: In response to Mr. Hanson's objection about the dumping of Western Canada lumber into Eastern Canada, I would say that if the Canadian Merchant Marine does withdraw that service, there are private interests which will offer the same service from the West Coast to the Maritimes.

Mr. **Hanson**: All right, but we should not put on a service by the Canadian Government which will go into competition with the men who are the best customers of the Canadian National Railways in Eastern Canada. The firm of which I am speaking ships 25,000 carloads on the Canadian National Railways. That firm's business is nearly all on the Canadian National Railways, and they object to this competition.

Mr. **McGibbon**: What is the present loss on this service?

Mr. **Teakle**: $97,627. Last year there was a loss of $97,627.74.

Mr. **McGibbon**: That was poor business.

Sir **Henry Thornton**: The answer to your question is the figure which was given, an operating loss of practically $97,000. There is no subsidy on the intercoastal service.

Hon. Mr. **Manion**: Not according to the figures which we have here, which show a profit of $79,000. I think that is correct.

Sir **Henry Thornton**: We want to know what the operating profit or loss was on the intercoastal service last year.

Mr. **Teakle**: That was last year, but the previous year, that is 1929, the profit was $164,854.70.

Mr. **Smart**: This figure here gives $224,000.

Hon. Mr. **Manion**: These are figures prepared by your own organization.

Mr. **Fairweather**: They are marked approximate, as the books were not closed at that time.

Hon. Mr. **Manion**: That is a very vast difference.

Sir **Henry Thornton**: I think those figures should have close examination.

Hon. Mr. **Manion**: I brought it up because of the difference in the figures. Last year they showed a profit of $224,000. That for 1929 is actual.

Mr. **Hanbury**: I think that is correct.

Sir **Henry Thornton**: I think we have got mixed up on those figures somewhere.

Hon. Mr. **Manion**: What do you say was the profit in 1929, Mr. McLaren?

Mr. **McLaren**: Apparently the difference between the $79,000 profit and the loss of $97,000—that $79,000 does not include the overhaul expense and the lay-up expense.

Hon. Mr. **Manion**: That is alright for 1930, but what about 1929?

Sir Henry Thornton: We have an operating profit for 1929 to $224,000.

Mr. **McLaren**: $164,000. The difference must be, as I stated before, the voyage profit, not taking in the lay-up expense or the overhaul. I do not know why those figures were given.

Hon. Mr. **Manion**: This says earnings and disbursements, and Sir Henry has the same figures.

Mr. **Hanbury**: I think it is very important, Mr. Chairman, that we should have those figures correctly.

Sir Henry Thornton: We will have to have these figures examined. Dr. Manion wants to know what is the operating profit or loss of the coastal service in years 1929 and 1930. Now, we want that answered.

Mr. **Fraser**: And the tonnages too.

Mr. Hanbury: Following up the question about the intercoastal service, I would like to ask if the operation of that intercoastal line does not affect the freight revenues of the railway itself, because there will always be a certain amount of heavy timber brought into Eastern Canada; would you not by this lose the revenue which the railway would otherwise get?

Mr. Teakle: May I answer that, Mr Chairman, by stating that before we went into the intercoastal service, we had a meeting in the Traffic Vice Presidents' office of the Canadian National Railways, at which were present two officers of the Canadian Pacific Railway and Mr. Walsh, the General Manager of the Canadian Manufacturers, and our Traffic Manager, Mr. Dalrymple, Mr. Wood and myself; and the whole thing was thrashed out and the railways came to the conclusion that as the Panama Canal was then open for traffic, steamer traffic would come through it and they might as well face it and try to get a company which would work harmoniously with the railways and try to work successfully. The railways thought that through the Panama Canal steamer traffic would come around.

Sir Henry Thornton: We realize that the opening of the Panama Canal would establish freight competition between the Pacific and the Atlantic Coasts, and our idea was that if we were to experience that competition it would be better to maintain it with our own transportation than to have an outside competitor come in and do as he chose.

Mr. Fraser: Has any business developed from the East to the West? Have you return cargoes?

Sir Henry Thornton: Yes, the business has become comparatively satisfactory.

Mr. Power: What does the business comprise?

Mr. Teakle: It comprises everything from a needle to an anchor. I consider Saint John a sort of a second home of mine, and the men from Quebec and the West have been very sympathetic to this service, and we have on record in the office at Montreal information to the effect that by putting this service on they have been able to send traffic around in competition with the American manufacturers. I would like to come back to the question of lumber. The point arises in my own mind—and I am not a lumber man, but we get roughly the large cuts of British Columbia fir, and it has always been told me that if we did not bring in British Columbia fir we had not anything to measure up in the East and it would result in United States pine coming into Canada. We with this service have done our very best to look after Canadian interest, so that we got British Columbia fir into Eastern Canada as far as we could.

Sir Henry Thornton: In other words, what you did was that you kept out of Eastern Canada American lumber and introduced British Columbia lumber?

Mr. Teakle: Yes, sir.

Mr. Power: I think a distinction has to be made there, that a certain class of British Columbia square timber is absolutely necessary for the construction of wharves and so on in Eastern Canada, but the objection taken by Eastern Canada lumber men is that you have been taking cargoes of lumber which compete with their spruce.

Mr. Hanson: Yes, that they have been subsidizing a service which hurts the Eastern Canada lumbermen's trade.

Mr. Hanbury: At the present time the Canadian Government Merchant Marine is operating a stable service, and if that is taken away we will have a distress service. And if this is done away with, instead of having a stable service, you will have an unstable service.

Mr. DUFF: If the committee decides to lay up these boats, I wonder if Mr. Teakle or Sir Henry will inform us how it will affect freight rates.

Mr. TEAKLE: In so far as freight rates are concerned, and going back to the time I came into the service in 1919, I have always claimed, and I think rightly, that we have been a balancing influence. I think the private lines will agree that none of us has tried to injure them deliberately. We have agreed that we have had a very influential effect on freight rates. At times we have had many discussions and conferences. I am a private line man and I believe in conferences. We can discuss our problems at conferences. I do not get the credit, but our traffic men get the credit of holding the freight rates. We have agreed that the Canadian manufacturer should not be penalized and that the small man should get the same chance as the big man.

Mr. DUFF: That is partly an answer to my question. If these boats were disposed of or laid up and a private line took over the business, would the private line raise the freight rates?

Sir HENRY THORNTON: That is a good deal of a gamble. That is pretty hard to say. Undoubtedly the presence of the Canadian Government Merchant Marine on certain rates has had the effect of stabilizing freight rates, and had there been any disposition on the part of private lines to combine for the purpose of raising the freight rates to the disadvantage of the Canadian manufacturer, the fact that we were there and would not agree to that prevented that raise.

Mr. HACKETT: To what extent would operating expenses on the West Indian service be increased if the Canadian Government Merchant Marine ceased operation?

Mr. TEAKLE: There would be no effect. If it were closed we would have to discharge the staff we now have handling our other business and close up certain offices and simply carry on as a smaller company.

Sir HENRY THORNTON: I think the direct answer would be that the effect would be negligible.

Mr. POWER: How many of the staff would be laid off, firstly of the office staff, and secondly in the crews?

Hon. Mr. MANION: When you say there would not be any change in the expenses, let us get it clearly. I take it that Mr. Teakle is the head of the Canadian Government Merchant Marine and also of the West Indies service—that is correct?

Mr. TEAKLE: Yes, sir.

Hon. Mr. MANION: Then I take it that Mr. Teakle's salary is divided between the two services. If you cut off the one, how could you say it would not make any difference in the costs?

Mr. TEAKLE: I think the president's remark was that it would not make any great difference. We would no doubt have to get rid of a lot of men, but what it would mean one would have to think out.

Mr. HANSON: How much of the expense of the Canadian National West Indies service is loaded into the Canadian Government Merchant Marine?

Mr. TEAKLE: They are divided in the accounts.

Mr. HACKETT: What proportion of your own salary is borne by the Canadian Government Merchant Marine and how much by the West Indies service?

Mr. TEAKLE: My own salary is 50-50.

Hon. Mr. MANION: You mentioned a while ago that you used to be with the Allan Line. I have heard comparisons made about the expenses of the steamship lines, that the Allan Line when it ran, in proportion to the business which it did, that its overhead and management expenses were proportionately very much less than you have now. Can you give an estimate of that statement?

Mr. **Teakle**: Yes. We are not living to-day on the same standard as we were then. To-day in Canada we are on a higher standard of living. I think as far as salaries are concerned we would naturally be higher in the Merchant Marine on account of present day expenses.

In the operating expenses of ships, my recollection is that we used to pay our firemen £4 10s.; to-day we pay them $50. We used to pay our sailors £4 and now we pay them $50.

Hon. Mr. **Manion**: Let us get away from salaries, and what about the overhead expenses in proportion?

Mr. **Teakle**: For instance. I know a good deal about traffic matters. I was reared up in the traffic department. Take the Liverpool service of the old Allan Company, and we did not handle one-fifth of the paper which we have on our Australian service. A lot of that work has come in as a result of the war service.

Sir **Henry Thornton**: What do you mean by paper?

Mr. **Teakle**: Bills of lading and manifests, sir.

Sir **Henry Thornton**: I was not sure whether Mr. Hackett's question has been properly answered. I think we gave him the impression that if the Canadian Government Merchant Marine were abandoned it would not have a material effect upon the expenses of the West Indies service. I think it would be more than negligible.

Mr. **Teakle**: I think I said, sir, that there would be an increase.

Mr. **Hackett**: My suggestion is, sir, that the cessation of the Canadian Government Merchant Marine would materially reduce the operating expenses of the West Indies service.

Sir **Henry Thornton**: That the abandonment of the Canadian Government Merchant Marine would materially reduce the West Indies expenses?

Mr. **Hackett**: Let us take the instance of Mr. Teakle. His salary is borne half by one service and half by the other. Now if the volume of business done by the Canadian Government Merchant Marine is greater than the volume of business that is done by the West Indies service, the division of that expense is, I submit, out of proportion and unfair to the West Indies service.

Mr. **Power**: I do not think that is a fair statement to make. The West Indies service wants a good man as manager and they are profiting by the fact that Mr. Teakle happens to be employed in an allied company.

Mr. **Hackett**: Mine was a question relating to the mathematics.

Sir **Henry Thornton**: I am afraid you are propounding a question in calculus to one who has an insufficient knowledge of geometry, as far as I am concerned.

Mr. **Geary**: If you look at the statement of the West Indies, on page 20, you have management and office salaries and office supplies and expenses. Similarly, looking at the account of the Canadian Government Merchant Marine, on page 8, we find management and office salaries and the corresponding item of office supplies and expenses are about equal. A good deal of those two items on page 8 would be transferred to the West Indies, which would increase the cost to the West Indies.

Sir **Henry Thornton**: Yes, that is right, Colonel.

Mr. **Hanson**: That is the way I read it. I think if you drop the operations of the Merchant Marine, you will increase the deficit of the West Indies.

Mr. Geary: The half million dollars of insurance, is that a cash account?

Sir Henry Thornton: Yes, it is represented by cash or securities.

The Committee adjourned until 4 o'clock p.m.

AFTERNOON SITTING

On resuming at four o'clock.

The Chairman: We were discussing the Canadian National Steamship Merchant Marine division, and if there are other questions to be asked in this matter, now is the time to ask them.

Mr. Geary: May I ask one or two, Mr. Chairman. In your assets or investment account.—take your consolidated balance sheet at page 6. The investment account shows vessels as at December 31, 1929. You have credited that with the deductions during the year.

Sir Henry Thornton: Yes.

Mr. Geary: Your deductions during the year are, I take it, shown on the profit and loss account on page 9. Did you get $1,300,000 for that ship?

Sir Henry Thornton: No.

Mr. Geary: What are those deductions? Is that the ship you sold and what else?

Sir Henry Thornton: Mr. McLaren, will you answer that question?

Mr. McLaren: Is that the deductions, Colonel?

Mr. Geary: You credit investment with about $1,300,000. Can you tell me what the figures are, what the items are?

Mr. McLaren: $999,262.45 is the amount of the Canadian Trooper sold. We reduced notes by $989,262.45, and cancelled the capital stock on $10,000, and retired equipment on the Pathfinder, $11,166.62, also on the Skirmisher, $9,001.22, and transferred to Discount and Capital Stock $300,000, that makes up the $1,319,000.

Mr. Geary: These are investments, and you are crediting that with the notes retired.

Mr. McLaren: Yes. Well, it is just a matter of eliminating it out of the investment account as well as out of the liability account.

Mr. Geary: I understand—

Mr. McLaren: Of the Dominion of Canada.

Mr. Geary: I know how it is balanced on the other side, but the $989,262.45 consists of the purchase price, apparently, of the Trooper.

Mr. McLaren: Right.

Mr. Geary: Or the book cost of the Trooper, which would it be; it would be the book cost?

Mr. McLaren: The book cost.

Mr. GEARY: What was the book cost of that ship?

Mr. BOTHWELL: $926,000.

Mr. GEARY: Where did you get that?

Mr. McLAREN: $989,000.

Mr. GEARY: Would you have some more book values?

Mr. McLAREN: Discount on capital stock, down at the bottom of page 6, take it out of the investment account.

Mr. GEARY: I do not see that, Mr. McLaren. You mean you charge the assets against that $300,000 discount afterwards, is that what you do?

Mr. McLAREN: Reduce the investment account and cancel the original note, cancel the account, would not take it out of the investment account, and set it down as a discount on the capital stock.

Mr. HANBURY: An actual loss, is it?

Mr. McLAREN: It is the capital stock set up on the liability side, you do not have to make a value, and it was previously in the investment account, so we take it out of the investment account and put it down in the discount.

Mr. HANBURY: We do not know how it is done yet. You sold this vessel at a loss. Then you carried it in your books and you had a losss. We do not know how you carried that loss in your books. What did you do with it?

Mr. McLAREN: The loss?

Mr. HANBURY: Yes, that you have on selling the vessel.

The CHAIRMAN: The loss is taken up by the reduction in investment account.

Mr. HANBURY: That is a cross entry or a book entry only.

Mr. McLAREN: I think I explained this morning that the amount of the note for the value of the boat was set up in the investment account, and when the vessel is sold the note is cancelled and automatically the investment account is reduced. The money that we receive for the sale of a vessel is handed over to the Government and they take care of the loss between the selling price and the cost price to them. That is up to them.

Mr. HANBURY: That is not part of your accounting at all?

Mr. McLAREN: No.

Mr. GEARY: You carry part of it on notes and you also write off depreciation and that goes into your profit and loss account. Where does the Government come in there? You cancel certain debts or notes and write off depreciation, and $900,000 of that goes into the profit and loss account?

Mr. McLAREN: Yes, profit and loss was originally charged with the depreciation and with the interest; and when the boat is sold the adjustment is made in both those accounts and in profit and loss.

Mr. HANBURY: In other words, if you have a profit in that, you have that; but if you make a loss the Government stands the loss?

Mr. McLAREN: The loss between the cost and the sale?

Mr. GEARY: The capital loss is the difference between the cost and the sale price.

Mr. McLAREN: Yes. All we would have in our profit and loss would be the operating loss on vessels as sold.

Mr. HANBURY: Plus depreciation.

Mr. McLAREN: The interest is taken out and depreciation.

Hon. Mr. MANION: But you have, Mr. McLaren, the material from which to make the statement? He is going to try and prepare a statement to be put on the record, showing the total capital loss.

Outstanding Notes on Vessels	$ 44,996,242 95
Advances on account of Capital	552,919 04
Working Capital and Advances	12,654,769 65
Total	$ 58,203,931 54
Plus difference between amount of Notes cancelled and amount of sales, salvaged or transferred and vessels disposed of, totalling	30,258,029 28
Total	$ 88,461,960 82
Less estimated value of vessels in service	$ 2,500,000 00
Insurance Reserve	3,547,170 06
Working Capital	1,192,020 86
Total	$ 7,239,190 92
Leaving approximate loss of if the enterprise were wound up.	$ 81,222,769 90

NOTE.—These figures do not include any interest the Government gave up.

Mr. BOTHWELL: There is a statement showing insurance reserves. On what basis is that insurance reserve built?

Mr. McLAREN: The insurance reserve is built up on the basis of charging the operating expenses; the premiums I could not say.

Sir HENRY THORNTON: I could explain that, and Mr. Grant had better follow me and check me if I am wrong. The fund has been built up by charging expenses with a certain amount of premium and this represents the amount by which the charge on account of premiums was greater than the actual losses, plus the accumulated interest. This $3,500,000 is represented by Government bonds and other securities.

Hon. Mr. MANION: It is part of your $14,000,000 fund.

Sir HENRY THORNTON: It was built up in that way. We really charged ourselves with larger premiums than the actual losses.

Mr. BOTHWELL: That is you carry your own insurance and you fixed your own rates, according to the standard rates?

Sir HENRY THORNTON: We built up a reserve fund.

Mr. BOTHWELL: How did you arrive at that insurance premium?

Sir HENRY THORNTON: It is built up by using the commercial rates.

Mr. CANTLEY: That is the most satisfactory showing on the whole sheet.

Sir HENRY THORNTON: Yes. It is all part of the one fund and it is handled as one fund, excepting that the three and a half millions are allocated.

Hon. Mr. MANION: It is part of the $14,000,000 fund?

Sir HENRY THORNTON: Yes.

Mr. CANTLEY: Less the losses?

Sir HENRY THORNTON: Yes.

Mr. GEARY: What do you mean by part of the $14,000,000?

Hon. Mr. MANION: In a fund which they have built up by carrying their own insurance (they have been paying the premiums into that fund) and it has gradually been built up to, in a round sum, $14,000,000. Part of it is allocated to the steamships, which is some $3,500,000, and the other ten or eleven million dollars odd is allocated to the railways.

Mr. BOTHWELL: On what basis is the loss charged against the fund?

Mr. McLAREN: This includes the portion allowed to the railroad. The steamships balance sheet here shows the proportion which belongs to them. In other words in the railways balance sheet you have $10,000,000 odd, and you have in the Merchant Marine here $3,500,000 odd; and you have in the West Indies $353,599.

Hon. Mr. MANION: In the regular balance sheet of the railway it shows $10,568,000.

Mr. GEARY: Where does the $14,000,000 show?

Hon. Mr. MANION: No place.

Sir HENRY THORNTON: That was just the general statement that the whole fund amounted to about that.

Mr. KENNEDY: How do you arrive at the amount of the fixed charge?

Mr. McLAREN: That will be governed by the basis of the insurance.

Mr. FAIRWEATHER: As I understand it, Mr. Teakle has just told me that the Canadian Government Merchant Marine boats are insured at $50 a ton, and any losses would be paid out of the insurance fund. If it were less than a total loss, it would be based on an appraisal. If it were more than $50 a ton, then the insurance fund would pay $50 and the balance would just be a loss.

Mr. DUFF: And commercial losses are taken out of this fund?

Sir HENRY THORNTON: Yes.

Mr. HANBURY: I do not understand the accounting between the Merchant Marine and the Government when a vessel is disposed of. I would like to ask Mr. McLaren if when a vessel is disposed of and the Government absorbs a loss, they hand over the notes—is that part of your liability to the Government?

The CHAIRMAN: There is no liability there.

Mr. GEARY: Yes, the liability is the note payable secured by a mortgage on a vessel. That is charged with the amount and it is reduced, and that is what you mean by your cross entry.

Mr. HACKETT: It has to be charged somewhere.

Mr. HANBURY: When you purchase a vessel you issue a note to the government for the purchase price?

Mr. McLAREN: I presume so.

Mr. HANBURY: When you dispose of a vessel that note for the full value is cancelled by the government?

Mr. McLAREN: Yes.

Mr. HANBURY: Now, supposing that boat is disposed of at less than the cost value to the Merchant Marine, there must be a loss. Who stands that loss?

Mr. McLAREN: That would be the government.

Mr. HANBURY: If the government stands that loss, is that part of the Merchant Marine or the Canadian National liability to the government?

Sir HENRY THORNTON: No.

Mr. McLAREN: I would say it is not a liability of the Merchant Marine.

Sir HENRY THORNTON: What do we do with that, do you know, Mr. Roberts? I see Mr. Roberts is not here.

Mr. GEARY: You have one sale here of the *Canadian Trooper*, on page 9, for $543,000, which we can go by, and you said your book value was $990,000. When that vessel disappeared from your ownership, you credited this investment account with its book value?

Mr. McLAREN: Yes.

Mr. GEARY: On the other side of the ledger you have a note, and that note was written off?

Mr. McLAREN: Yes.

Mr. GEARY: Now you have an interest charge also unpaid and you have a depreciation reserve and you write off each?

Mr. McLAREN: Through profit and loss.

Mr. **Geary**: In other words, through profit and loss you charge practically the whole amount in the account, so that the note in its whole amount practically is wiped off by the government?

Mr. **McLaren**: The liability is cancelled.

Mr. **Duff**: And the government gets the amount you received for the boat?

Mr. **McLaren**: Yes.

Mr. **Hanbury**: We were told that this $57.000.000 was really an operating loss, and now we are told that that total loss was reduced by the value of the vessels as sold.

Mr. **McGibbon**: If that is so, let us get at the total.

Sir **Henry Thornton**: What happens is that we are the trustees for these boats. If we sold all the boats, our trusteeship would cease and this amount would disappear.

Mr. **Hanbury**: And the government would have to absorb it in some way.

Sir **Henry Thornton**: Certainly.

Mr. **Hanbury**: And you do not know how they absorb it?

Sir **Henry Thornton**: No.

Mr. **Hackett**: Then the loss through operation is not entirely reflected in the accounts of the company?

Sir **Henry Thornton**: I think that is probably correct.

Mr. **Hackett**: It would probably reach a hundred millions?

Sir **Henry Thornton**: I think that is probably true.

Mr. **Cantley**: If you take the *Canadian Trooper*, she was sold for $543.000 odd, then the cancellation and the depreciation with that item would make up $876.510. She cost $889.000. So that the two amounts of what she sold for and the depreciation account would not reach her original amount by $113,000. How was that reflected?

Mr. **McLaren**: Will you let me explain that to you, Colonel? The *Canadian Trooper* was not sold for $543,000. The *Trooper* was sold for $50,000. As I explained, there was the *Trooper's* note and investment; as I explained to Colonel Geary that was cancelled in the investment account, $999,000, taking in the stock. That cancelled the investment account and the liability account; and the two amounts the Colonel is speaking about, the interest and the depreciation, are taken out of the deficit.

Mr. **Hackett**: That means that your account stands as if you had never owned the *Trooper?*

Mr. **McLaren**: That is correct.

Mr. **Hackett**: And the burden fell entirely on the Government? Is that correct?

Sir **Henry Thornton**: Yes, that is right.

The **Chairman**: That is where it belongs, too.

Mr. **Geary**: What became of the $50,000?

Mr. **McLaren**: That was turned over to the government.

Mr. **Geary**: The salvage, whatever it was, was handed over to the government and what they did with it you do not know, and they had your note and they credited the amount received, and that is the whole picture?

Sir **Henry Thornton**: Yes.

Mr. **Hanbury**: I think it would be very interesting if we could have Mr. Roberts, of the Finance Department, to tell us what they do with the losses.

The **Chairman**: I do not think they do very much with it. You may be certain they do not put those losses in the bank.

Mr. **Fraser**: Mr. Roberts is here now.

The **Chairman**: Mr. Roberts, we are interested in knowing how you take care of these accounts in the merchant shipping, these ships accounts. We had the case of the *Canadian Trooper* which was recently sold and for which the government received $50,000, which they paid you. Now what we are interested in knowing is what you do, not with the $50,000, but with the loss you make from the original cost of these ships.

Mr. **McGibbon**: Pay off the national debt.

Mr. **Roberts**: In the first instance, these ships were charged to the general fund of the Dominion. They went in as an expense, the whole amount; and if there is any recovery in respect to that sale, it will be just the same as if we sold the Parliament Buildings and got back a certain amount, and it is credited as a return on account of previous years' expenditures, in the public accounts so that it offsets to a certain extent the expenditures for the year, although it is kept separately. It is simply a return on account of previous years' expenses.

The **Chairman**: You have no account in your books of the cost of these steamships?

Mr. **Roberts**: We have.

Hon. Mr. **Manion**: In the non-active assets?

Mr. **Roberts**: Of the capital account, and part of it was paid out of war appropriations.

Mr. **Hanbury**: 50-50, wasn't it?

Mr. **Roberts**: No, I think not. The total expenses were $79,000,000.

Mr. **Duff**: My recollection is that it was $93,000,000.

Mr. **Roberts**: $79,511,659 was the original amount of the notes given by the Merchant Marine to the government as representing the actual out-of-pocket cost to the government of those ships at the time of the transfer.

Mr. **Duff**: Without interest?

Mr. **Roberts**: There was no interest involved.

Mr. **Bothwell**: How much was carried to the war appropriations?

Mr. **Roberts**: $19,983,000; ship-building capital account, $58,000,000; and there were transferred to the Merchant Marine at the time some three small vessels, I think which previously had been purchased by the Canadian Government Railways, costing $1,222,000, which went to make up the total of $79,000,000.

Mr. **Hanbury**: You have a capital account of $59,000,000, is that an active account of the government?

Mr. **Roberts**: No, it is just kept record of in that way; and any monies recovered are simply turned in as previous years' capital expenditure or a war expenditure, depending upon whether the ship was purchased out of the war appropriations or capital account. It goes in as a special revenue deduction against the capital expenditure of the current year, under the item of "Refund of previous years' capital expenditure" or "Refund of war account."

Mr. **McGibbon**: What is the total of those refunds?

Mr. **Roberts**: The total refund, I think, was two or three million dollars.

Hon. Mr. **Manion**: There were two or three ships lost or burned, weren't there?

Mr. **Roberts**: We have recovered $3,800,000, $2,000,000 odd on account of ships lost, $1,700,000 on account of ships sold; and there were seven ships, I think, transferred to the West Indies service at values amounting to $577,000. That makes $4,400,000 nominally recovered, of which $3,800,000 is cash recovered out of a total of $79,000,000.

Hon. Mr. MANION: What was the original cost of the vessels transferred to the West Indies service?

Mr. ROBERTS: The original cost was $6,800,000, and the value at the time of the transfer, as estimated by marine experts, was $577,000.

Mr. GEARY: The monies dispersed by the Dominion to make up the deficits is shown where?

Mr. ROBERTS: As a non-active account, you are probably referring to one item in the account. Our figures would be on the whole; making altogether about $90,000,000.

Mr. HANBURY: Is it a fact that the Canadian people owning the Merchant Marine and the Government of Canada are not showing as an asset one dollar of the value of the boats operated by the Merchant Marine?

Mr. ROBERTS: They are not shown as a cash asset or a revenue producing asset, because it is neither.

Mr. GEARY: There is that $90,000,000, and you think out of the balance of the ships you could clear u pabout $7,000,000 if you sold them out?

Sir HENRY THORNTON: That is substantially right.

Mr. HANBURY: I would like if the committee would review this for a few minutes. We have been viewing it as a $79,000,000 investment with a loss of so much, and also from the standpoint of seven and a half million dollars recovered. I would like the committee now to consider it that it represents an actual value, outside of the current assets, in vessels, of $2,500,000. Forget that we have been in the business and that we have had a loss. Our position to-day is that we have these vessels on hand and they represent a value that we might realize on of $2,500,000. I would like the committee to consider whether it would be advisable that these vessels, representing two and a half million dollars should be continued in the endeavour to develop trade for Canada. What we have to take into consideration is the actual loss per annum in operating. Last year it was $1,343,000.

Mr. GEARY: No. $834,000.

Sir HENRY THORNTON: $834,000, Mr. Hanbury?

Mr. HANBURY: Last year the loss was $834,000. It is reasonable and fair to assume that the loss of $834,000 did develop business for this country; and it is also reasonable to assume that if this service was discontinued it will add to the loss, and also that if this is discontinued it will be necessary for this country to subsidize another shipping company to make up the loss of the Canadian Merchant Marine. I would like us to forget this sixty or seventy or eighty million dollars and get back today to the actual investment—

Mr. HACKETT: Was it not said that the system could not be operated becaues the ships are obsolete?

Mr. HANBURY: Whether or not they are obsolete, they operated last year in the shipment and transfer of goods to and from Canada, and the loss last year was some $834,000.

Mr. KENNEDY: That would be true; it could not be otherwise.

Mr. MCGIBBON: What about the taxpayers of Canada?

Mr. HANBURY: I am seeing if it is good business. We are taking up the position today as it is.

Mr. DUFF: That is a very good argument, I agree with Mr. Hanbury, and it is a matter which should be taken up by us in camera.

Mr. HANBURY: We have to consider the development of our trade, and I think that is the only reason we have any merchant marine at all. If we do not develop trade, we are darned fools to have a merchant marine.

Mr. MCGIBBON: Sir Henry disposed of that this morning.

Mr. HANBURY: Sir Henry was speaking of the freight from exports and imports.

Mr. GEARY: I think we could start off by cutting our losses and start off with $2,500,000 and then see if we want to run that service at a loss of $800,000 a year.

Sir HENRY THORNTON: I think the larger question is that of commercial strategy, and that is entirely a matter of policy.

Mr. MCGIBBON: What about the boats that Sir Henry says are obsolete?

Sir HENRY THORNTON: While it is true, doctor, that the boats are obsolete, and because they are not modern in character, are expensive to operate, at the same time we have used those boats for trade exploration purposes. I would not like to say that they are totally useless for that purpose.

Mr. MCGIBBON: No, but the inference was that they were useless for commercial purposes in competition with modern vessels.

Sir HENRY THORNTON: Yes, in a competitive field. For instance, we have been using these boats for the South American trade, unsatisfactory as the employment may be; the result of that exploration is indicative of the possibility of good trade with South America.

Mr. DUFF: How far South do the South American boats go?

Sir HENRY THORNTON: To Buenos Aires.

Mr. HANSON: Last year you operated considerably less boats than the year before?

Sir HENRY THORNTON: Yes.

Mr. HANSON: How many less?

Sir HENRY THORNTON: Mr. Hanson wants to know the difference in the number of ships we had in service. I think it is accounted for by the fact that we abandoned certain trade routes. For instance, we operated a couple of trade services to Europe at a considerable loss, and we felt, in view of the excellent facilities offered by private lines on the North Atlantic, that there was no particular value in our continuing that loss; so we withdrew and left the field to the private activities.

Mr. KENNEDY: How would you view that, as to South America, leaving it to private lines?

Sir HENRY THORNTON: It is conceivable that if we withdrew our vessels from that service and were able to put at the disposal of some private company the results of our services they might find it attractive to go into the field. I do not know. It is almost impossible for me to give an assurance.

Hon. Mr. EULER: Would you care to hazard an opinion whether it would be profitable?

Sir HENRY THORNTON: For the past eight years the officers and myself have been coming here and answering questions and revealing conditions which have shown deficits. As loyal trustees of the company, we have tried to make those clear; but we have now got to the point where we feel that in the interests of the people of Canada as a whole the government ought to say whether we are going on with this marine activity or are going to quit. We do not want any more to assume the responsibility for this continued deficit, unless there is a mandate from the government.

Hon. Mr. EULER: Is not what Mr. Hanbury suggests really a matter for the Department of Trade and Commerce?

Mr. HANBURY: They might want a recommendation from this committee.

Hon. Mr. MANION: How many of these routes which we are serving at the present time by the Canadian Government Merchant Marine are also being served by competitive private lines?

Mr. **Teakle**: None of them, not from Canada. I want to qualify that, that one service, the Houston Line, was putting on some steamers to South America, and we do not know how that will affect it. To Australia and New Zealand we are alone in the service.

Mr. **Hanbury**: What would be the effect of the Australian Treaty, supposing it developed a lumber service? Would there be any vessels to take care of it?

Mr. **Teakle**: I understand there is one provided for by a subsidy.

Mr. **Hanbury**: But that is a subsidy which the Canadian people would have to pay.

Mr. **Teakle**: Quite so.

Mr. **Geary**: After all, Mr. Chairman, the government has to take the responsibility, and it does not prejudice the case at all to approve this report and send it on.

Mr. **Hanson**: I understand that last year, 1930, you had twenty-six ships in operation. On page 10 of the report you give the disposition of fleet during the year 1930, and you give the number on each route; and you laid up four, as shown on page 10. If you will give me the comparative figures for the year before, I would like to call your attention to something arising out of that, in the matter of operation.

Mr. **Teakle**: We had thirty-five as against twenty-six. In 1929 we had thirty-five, and in 1930 we had twenty-six.

Mr. **Hanson**: That is nine less?

Mr. **Teakle**: Yes.

Mr. **Hanson**: Now I call your attention to the operating deficit for 1929, which was $878,000 on an operation of thirty-five ships; and the operating deficit in 1930 was $834,000 for the operation of twenty-six ships; so that without question the ratio of your operating deficit has increased. I have not worked it out mathematically, but there is no doubt about that.

Mr. **Teakle**: That is entirely due to business conditions.

Mr. **Hanson**: Quite so, but is that not, roughly speaking, the result of all the years' operations?

Sir **Henry Thornton**: Do you mean have we always had a deficit?

Mr. **Hanson**: You have always had a deficit, but progressively increasing. The operating ratio is against the policy and against the system, increasing every year, and when you get down to ten ships the ratio would be enormous.

Mr. **Duff**: Operating thirty-five ships last year, they earned an average of $24,000 each for freight, gross. This year, operating twenty-six vessels, they would average about $18,000 each.

Mr. **Hanson**: He says that is due to business conditions.

Sir **Henry Thornton**: I think what Mr. Hanson has in his mind is that the marine activities of the Canadian Government Merchant Marine have not been progressively improving.

Mr. **Hanson**: They have been progressively receding.

Sir **Henry Thornton**: Quite so, and that is one of the things which is bothering us.

Mr. **Teakle**: In 1928, sir, the operating loss was $1,209,083; in 1929 it was $878,907.21; in 1930, it was $834,210.89. We are coming down in our losses.

Mr. **Hanson**: No doubt, but you are operating less ships.

Sir **Henry Thornton**: In other words, the fewer ships we have the less the loss.

Mr. Hanson: But the greater the loss per ship or per voyage.

Hon. Mr. Manion: So that if you wipe out the ships, you wipe out the loss.

Mr. Hanson: Yes.

Mr. McGibbon: As these vessels were operated chiefly for exploration purposes, how many ships were operated for that purpose?

Mr. Duff: When operating thirty-five ships?

Sir Henry Thornton: I think from the point of view of what is straight trade exploration, the only vessels in that now are those engaged in the South American service, four ships.

Mr. Hanson: And the private line, the Houston Line, is undertaking now to do that work.

Mr. Teakle: They have only had one trip.

Sir Henry Thornton: The New Zealand and Australian services, while they represent the only service between Canada and Australia, can hardly be described as an experimental service, because they have been running for some time.

Mr. Hanson: The Houston Line was advertising regular services from Montreal to Montevideo and Buenos Aires; and if they are willing to take on this business, why not leave it to them? They are not getting a subsidy from the government.

Mr. Duff: What are the ports of call?

Sir Henry Thornton: We call at Montevideo and Buenos Aires and wherever trade is offered on the way home.

Mr. Hanbury: Is it pretty well a one-way service, or are there return cargoes?

Mr. Teakle: There are return cargoes. I may say that the Houston Line was once before in this service and gave it up. We have been regularly in it.

Sir Henry Thornton: The Houston Line have been in and out of this service. They have been in it once before and went out of it. They also called at New York. That is, the Houston Line in the past have not maintained a constant service.

Mr. Duff: We ought to get some Norwegian interested in it.

Mr. Hanson: What is the loss on the South American service per voyage or whatever other measure you have handy, per year?

Sir Henry Thornton: The net loss last year, Mr. Hanson, was $78,000.

Mr. Hanson: How many voyages?

Sir Henry Thornton: Twelve voyages. In 1929 we had eleven voyages with a profit of $51,000.

Mr. Hanbury: Mr. Chairman, I wonder if the officials have any information showing the values of the commodities and articles imported and exported by this service?

Sir Henry Thornton: I am afraid we have not.

Mr. Hanbury: I think that is important. If this Merchant Marine service is important for the purpose of developing trade, I think we ought to know what trade they are developing.

Mr. Teakle: We have the tonnages, if that would be of any value.

Sir Henry Thornton: I think the Department of Trade and Commerce have that, Mr. Hanbury.

Mr. Hanbury: On this service?

Sir **Henry Thornton**: I think so.

Mr. **Bothwell**: I think you can get that from the Bureau of Statistics.

Sir **Henry Thornton**: We can make a note of that and see if it can be found.

Mr. **Duff**: I would move that the report of the Canadian Government Merchant Marine, Limited, and subsidiary companies be received and adopted.

Mr. **Hanson**: With the reservation that we make the same representation?

Mr. **Duff**: Absolutely.

Mr. **Hanbury**: I will second the motion.

The **Chairman**: Are there any more questions to be asked in respect to the Canadian Government Merchant Marine?

The motion is carried.

Now, the West Indies lines.

Mr. **Geary**: This is a good report, Sir Henry, you tell us exactly who are going to be elected at the annual meeting.

Sir **Henry Thornton**: Seeing that all the shares are held by one shareholder, there is not much difficulty in prophesying what he will do.

Mr. **Geary**: It is just about what could be said of any other company, if they wanted to do so.

Sir **Henry Thornton**: You want to start with the consolidated balance sheet, I take it. Will you read that, please, Mr. Fairweather?

Mr. **Fairweather** (Reading):

> Consolidated Balance Sheet, as at 31st December, 1930, of the Canadian National (West Indies) Steamships Limited and Subsidiary Companies:
>
> Assets:
>
> Investment:

Vessels as at 31st December, 1929..	$ 9,633,306 33
Additions during Year..	171,408 71
	$ 9,804,715 04
Cash in Bank..	191,096 65
Insurance Fund..	353,599 70
Discount on Funded Debt..	74,783 27
Discount on Capital Stock..	40,000 00
Total..	$10,464,194 66

Mr. **Hanson**: I can understand the discount on funded debt. I suppose the bonds issued were sold at a slight loss.

Sir **Henry Thornton**: Yes.

Mr. **Hanson**: But the discount on capital stock?

Mr. **Geary**: That is just a cross entry.

Mr. **Hanson**: Go ahead.

Mr. **Fairweather** (Reading):

LIABILITIES

Capital Stock:	
Authorized and issued: 400 Shares of $100 each..	$ 40,000
Funded Debt:	
25 Year 5 per Dominion of Canada Guaranteed Gold Bonds..	9,400,000
Dominion of Canada Account:	
Notes Payable Secured by Mortgage on Vessels..	577,315 80
Advances—Deficit..	1,674,636 49
Interest Accrued Unpaid..	106,658 13
Total..	$2,358,610 42

Mr. GEARY: You run this a little differently from the Canadian Government Merchant Marine. You have your money provided by bonds and you carry some notes as well. Have those notes any relation to the value of the ship, or are they advances?

Mr. MCLAREN: They are vessels transferred.

Mr. GEARY: All right. Then the Advances—Deficit represent cash advances for deficits incurred.

Mr. FAIRWEATHER (Reading):

Canadian Government Merchant Marine, Limited—Advance Account..	$	88,605 98
Unmatured Interest Accrued..		156,666 67
Unadjusted Credits..		30,949 28
Accrued Depreciation—Vessels..		516,314 68
Insurance Reserve..		353,599 70
Profit and Loss Account—Deficit..		2,480,522 07
Contingent Liabilities—None ascertained.		
Total..	$	10,464,194 66

Mr. HANSON: How long has that deficit been building up,—over what period of time.

Mr. MCLAREN: Two years.

Mr. GEARY: That kitten was born with a stone around its neck.

Mr. HANSON: Two full years?

Mr. MCLAREN: Yes, two full years.

Mr. HANSON: Mr. President, I had the privilege of visiting the West Indies last year on one of these ships, and on the way down I had the opportunity of talking over trade conditions, as affecting the steamships, with a prominent man, whose name I will not mention, but he is the Managing Director of probably one of the largest houses in Trinidad, and he pointed out to me that while this service was a magnificent service, with which I fully concur, this service was being bedeviled by competition by the very cheapest kind of foreign vessels, and that the shipping of the British West Indies, notwithstanding the magnificent gesture of the Dominion of Canada in putting this line of steamships on this route in furtherance of Empire trade, was not getting the support of the shippers in the colony. Now, that is reflected in your balance sheet.

If you observe the cargoes carried by the respective lines, you will notice that practically all the sugar coming into Canada—perhaps not all, but a very substantial part of it—is being carried by those foreign bottoms underchartered to the Ocean Dominion Line, which I believe is the Alumium Line of Quebec.

Whether a mistake was made at the time the West Indies Treaty was negotiated, or not, I do not know, and I do not wish to place any blame which I cannot back up; but the fact remains that there is no obligation on the part of the British West Indies Colonies to support this line with their freights, and consequently huge deficits are being incurred every year in operations, not to speak of depreciation and interest on the funded debt.

It seemed to me that something ought to be done to remedy that situation.

If you take the Island of Barbadoes, the principal production of that island is sugar; it is not a large production as compared with Cuba or Port of Spain, but it will run from 80,000 to 100,000 tons a year, and practically all of that production is sold to the Canadian Sugar refiners; and yet scarcely an ounce of that sugar this year is being shipped over this line, simply for the reason that these foreign vessels underquote rates quoted by our steamship lines.

I want to bring this before the committee because I think some representation ought to be made to the governments of these colonies. If they expect Canada to carry out not only the letter but the spirit of the trade treaty, they must do their part. They are, I suppose, fulfilling the letter of the contract, but I do submit to the consideration of this committee and the public that they are not fulfilling the spirit of the undertaking which this country entered into in 1928.

Mr. KENNEDY: The trouble is that the sugar men down there are in a very distressed condition.

Mr. HANSON: There is no doubt that the sugar producers down there are in a very distressed condition. The production costs exceed the sugar price by about six-tenths of a cent per pound. Nevertheless they have to market their product because it is practically the only product that they have.

Would it not be feasible, in that connection, for this line to consider,—I am not an expert and do not pretend to be, but the situation is staring us in the face and the line is losing money while the trade is going to somebody else,—what can be done to try and meet that competition? That is one consideration; but the main consideration, in my mind, is to see if something could not be done with the governments of these various colonies whereby they would fulfil the intent of this agreement so that we would get that trade which is now going to foreign bottoms. It seems to me that it is a shame if something cannot be done to meet that situation. In the meantime the Canadian taxpayer is paying a deficit in cash to the extent of a million and a quarter a year, not to say anything about the carrying of the trade.

Mr. GEARY: What do you think the Government can do?

Mr. HACKETT: Who determines by what line that freight shall travel?

SIR HENRY THORNTON: The shippers, Mr. Hackett, up to this point that we, of course, maintain a soliciting organization.

Mr. POWER: Those vessels are practically carrying cargoes as ballast?

SIR HENRY THORNTON: There is a good deal of truth in what Mr. Hanson says. Take, for example, the Aluminum Company, which operates a service fundamentally for the purpose of transporting boxite, the ore from which they manufacture aluminum, to their plant in Arvida.

The Aluminum company maintain that they must control the vessels, the implement by which that shipment is made, because they did not dare leave it to private hands. That being the case, they regard the operation of their vessels as primarily part of their operating costs in the production of aluminum; and they fill out their vessels with any cargo that they can get, at almost any price.

Hr. HANSON: Inwards and outwards?

Mr. Cantley: No, going south?

Sir Henry Thornton: In other words, the cargo space which is not occupied by boxite on the way up, and which is empty going down, they regard as an incident, and they fill their vessels up with such freight as they can get at any price at all, and they regard whatever they do get outside of their boxite as so much salvage on the operation; and we are, of course, competing with a competitor who is able, for that reason, to carry freight at any price whatsoever.

Mr. Hanson: On sugar, I understand your rate is eighteen cents and theirs is fourteen cents a hundred-weight.

I was further told by this gentleman that if the Canadian National had met that rate this year the competitor would have been out of business.

Sir Henry Thornton: Of course it gets to the point of just how far you are going to cut rates.

Mr. Hanson: Of course. I am not saying you should cut rates.

Sir Henry Thornton: We have been aware of the situation and it has given us a great deal of anxiety. The people of Canada, through their Government and in fulfilment of a negotiated trade treaty, is maintaining at considerable expense an admirable service which is not having the support it ought to have from our cousins in the British West Indies. One of the reasons why we went into that service was to prevent any further American penetration of the British West Indies trade and possible the ultimate acquisition of those islands by the United States. That was really what was back of the whole thing. We have not had the response to that gesture which the people of Canada made which I think we had every right to expect.

Mr. Hanson: There is a solution of this, which I think could be obtained by negotiations between the Government of the Dominion of Canada and the Governments of the Colonies, and that is that the preference which we give on the imports from those colonies should be limited to imports in Canadian or British bottoms. That is a suggestion which I would make in that regard.

Sir Henry Thornton: Are the ships used by the Aluminum Company of British registry?

Mr. McLaren: No, sir.

Hon. Mr. Manion: I suppose that depends upon the terms of the original treaty.

Mr. Hanson: It seems to me that somebody slipped when we were putting a capital investment of $10,000,000 into a splendid line of steamers, in not making a provision that when we made that expenditure we should get that business.

The Chairman: We are giving them a preference on the sugar, all the benefit of which they take to themselves and none of which we can get.

Mr. Duff: If they can get a cargo of sugar carried for nothing, why should they be penalized?

Sir Henry Thornton: The shipper always chooses the route of least resistance.

Mr. Hanson: We give them a 10 per cent advantage. It does seem to me that consideration ought to be given to this problem, along the line which I have suggested.

Mr. Duff: How is that sugar bought? Is it bought f.o.b. West Indian ports, or c.i.f.?

Sir Henry Thornton: F.o.b.

Mr. Geary: My recollection of the treaty is that it sets out what is to be done, and for a period of years.

Mr. Hanson: But it did not cover this point. It obligated us to put in a line of ships which cost us $10,000,000.

Mr. GEARY: I agree that something has been left out. Now, the point is can we put it in?

Mr. HANSON: It seems to me something might be done by negotiations. We have a wedge in the preferential tariff.

Mr. DUFF: You cannot do that. Supposing one of my little vessels goes to Barbados and brings a cargo of West Indian molasses, would you stop me from doing that?

Mr. HANSON: No; you are a Canadian.

Mr. MCGIBBON: Do we not give a preference to goods coming to Maritime or Canadian ports? We would apply the same principle.

Mr. POWER: Your point is that it would be very easy, all other things being equal, for the Boxite or Aluminum Company to register their vessels as British vessels?

Sir HENRY THORNTON: We have been conducting two or three conferences with the Aluminum Company on this very question, to see if we could not come to some conclusion with them for the purpose of stabilizing freight rates at a figure which would permit us both to make some money. We have not got far enough as yet with those conferences to develop anything of a definite character, but that subject is under consideration. I am not making any prophesy as to what the results are going to be, but we are trying to work out some sort of an arrangement with the Aluminum Company in the matter of freight rates which will help us.

Mr. KENNEDY: Is that the chief business, the Boxite?

Sir HENRY THORNTON: That is the chief business of the Aluminum Company and they are the chief competitors.

Mr. GEARY: They carry very little West Indies goods.

Sir HENRY THORNTON: They call at British West Indies ports and carry freight to Canada, in connection with their boxite, and the opposite way as well.

Hon. Mr. MANION: Is it not true that in all the West Indies services there are freight boats competing?

Sir HENRY THORNTON: The Aluminum Company are the principal competitors and the only one which gives us any trouble.

Mr. GEARY: What about the United Fruit?

Sir HENRY THORNTON: I was speaking of from Canada.

Hon. Mr. MANION: I have been informed, Mr. Teakle, that if we did not have the freight boats on the West Indies service, that companies like Pickford and Black and the Aluminum Company and others would take up the surplus and carry the freight.

Mr. TEAKLE: That of course I cannot answer, but according to the trade agreement it is all called for what the service shall be; and in the constitution of the Canadian National Steamships, the Governor General in Council has put it up to the Canadian National West Indies Steamships to fulfil that.

Hon. Mr. MANION: But the treaty could be carried out if we could arrange with a private company to do the work.

Mr. TEAKLE: And if the necessary alterations were made in the legislation, I think.

Mr. HACKETT: I believe Mr. Hanson said the Canadian Merchant Marine rate was eighteen cents per hundred pounds from Barbadoes and that the Aluminum Company's rate was fourteen cents.

Mr. HANSON: I may be wrong in that.

Mr. HACKETT: Let us assume that the treaty was revamped and the rate was eighteen cents, would not that result in what would be the equivalent of a subsidy to the beet sugar industry here? Might it result also in a curtailment of the export from those islands?

Mr. **Duff**: And an increase of four cents on sugar?

Sir **Henry Thornton**: We have not completed our negotiations with our competitors. They have been competing with us in the fashion which I have described, and we are now trying to get them to a point where we can stop this cut-throat competition.

Mr. **Hackett**: But the higher the freight rate, the greater the protection to the local source of supply; that is the beet grower, who is in competition with the cane grower of the islands.

Sir **Henry Thornton**: Of course I do not know much about beet or cane growing, but from what you say I think that is the natural deduction.

Mr. **Hackett**: I think that confirms what was said a few moments ago that fixing the rate might result in something which was not considered.

Mr. **Geary**: And if you reduce the consumption of cane sugar you lose your income also.

Mr. **Duff**: What subsidy do you get from the West Indies?

Sir **Henry Thornton**: $219,229.89.

Mr. **Duff**: Is that on the both services, windward and leeward?

Sir **Henry Thornton**: Yes, sir.

Hon. Mr. **Manion**: Is that the total from all the islands?

Hon. Mr. **Manion**: What is the total subsidy which you get from the islands?

Sir **Henry Thornton**: $219,229.

Mr. **Duff**: Is that included in your Operating Revenue, Closed Voyages?

Sir **Henry Thornton**: Yes.

Mr. **Duff**: I think it would be better if that were put in separately in your next statement, it is not a real freight earning.

Mr. **McGibbon**: What was the subsidy paid to the Royal Mail Packet?

Sir **Henry Thornton**: For a fortnightly trip it was $400,000 odd.

Mr. **Hanson**: And I would like to say that the service which they gave was not comparable with the service given by this company.

Sir **Henry Thornton**: Yes, thank you.

Mr. **Duff**: The subsidy was what?

Sir **Henry Thornton**: $219,229.

Mr. **Duff**: I mean the subsidy which was paid to the old Royal Mail.

Sir **Henry Thornton**: Some $347,000.

Mr. **Duff**: Was that only for the one service, to the Windward Islands?

Sir **Henry Thornton**: No, do you remember the fortnightly service from Saint John and Halifax to the Windward and Leeward and to Demerara. They went fortnightly.

Mr. **Cantley**: Four boats?

Sir **Henry Thornton**: Four boats.

Mr. **Duff**: We are saving money there.

Mr. **McGibbon**: Your statement as to the giving up of the service did not apply to this service, Sir Henry.

Sir **Henry Thornton**: Oh, no, this is entirely the result of the trade treaty.

Mr. **Hanbury**: When is the termination of the trade treaty?

Mr. **Teakle**: I think it has ten years to run.

Mr. McGibbon: In view of the fact that you have modern vessels, it is surely unfair to take this year of depression as an indication of what you may expect.

Sir Henry Thornton: I think that is true.

Mr. Power: How did that passenger traffic stand up this year?

Mr. Hanbury: That is on page 17.

Mr. Power: You were pretty well booked up all during the tourist season?

Sir Henry Thornton: Yes, pretty well, Major.

Mr. Duff: How is the Boston service standing up?

Sir Henry Thornton: Admirably. The passenger traffic moving in 1930 was $746,000 odd.

Mr. Duff: From Boston?

Sir Henry Thornton: Oh, no. In 1929 it was $653,000.

Mr. Hanson: For the first three months of this year?

Mr. McGibbon: Can you get the figures from Boston?

Mr. McLaren: The first four months of 1931 amounts to $360,000 odd, as against the figures of 1930 of $317,000 odd.

Mr. Fraser: That is an increase.

Mr. Geary: We have heard a lot about bananas. I was going to ask about the banana trade, which was talked about a great deal at the inception of this business. Did that come up to expectations? You say it was fairly satisfactory.

Sir Henry Thornton: In 1930 we handled 1,872,000 stems of bananas. In 1929 we handled 1,522,000 stems.

Mr. Duff: Those are all handled on the Rodney and the Somers?

Mr. McLaren: No, on the four boats.

Sir Henry Thornton: The United Fruit Company carried in 1930, 1,227,000 stems; and the previous year, in 1929, the United Fruit Company handled 1,067,000 stems.

Mr. Duff: Where to?

Sir Henry Thornton: To Saint John.

Mr. Hanson: They do not intend to give up the Canadian trade without a struggle.

Sir Henry Thornton: They have shown no great signs of it so far, although the United Fruit Company have suggested to us that we undertake to handle, on some agreed rate, their Canadian banana business. The difficulty there is with the Jamaica Government. There is a certain feeling of fear amongst the banana planters of Jamaica with respect to the United Fruit Company, and one of the things which I think brought Jamaica into this steamship proposal was the establishment of some competition with respect to the United Fruit Company.

Mr. Kennedy: Are your rates the same?

Sir Henry Thornton: We do not know. As I recall the terms of the treaty, the space from Jamaica is allocated by the Government of Jamaica and the Government of Canada; and the Jamaica Government has not been particularly favourable, so far, toward permitting the United Fruit Company to handle her bananas on these ships of ours; and that is in course of discussion now to see if we cannot come to some arrangement which will enable the United Fruit Company to use our vessels for their banana shipments, supplementing it with their own only when our space is entirely consumed and they require additional space for their shipments.

Mr. KENNEDY: What control have the Jamaica Government got over this?

Sir HENRY THORNTON: That is one of the provisions of the treaty.

Mr. McGIBBON: What is the objection of the Jamaica Government to our ships?

Sir HENRY THORNTON: They do not object to our ships at all, but they do not want the United Fruit Company to use our ships. Speaking now on a guess, I rather imagine that they are fearful that it might result in the independent producer in Jamaica being crowded out of space on our ships, because these ships were provided primarily, as far as the Jamaica Government was concerned, to protect the rights of the independent grower.

Mr. KENNEDY: Do you mean that the Jamaica Government can object to others shipping fruit in your boats?

Sir HENRY THORNTON: This Article 14 of the Treaty provides that on representations made by the respective Governments of Canada and Jamaica, such Governments shall have the control and allocation of space for the carriage of bananas. That paragraph represents the position.

Mr. HANSON: That is interpreted to mean that you shall take so and so's bananas but not take those of somebody else.

Sir HENRY THORNTON: That is what it was intended to mean.

Mr. McGIBBON: Evidently the United Fruit Company was looked upon as a monopoly down there.

Sir HENRY THORNTON: Undoubtedly.

Mr. McGIBBON: The United Fruit Company are the biggest growers and exporters of fruit in the world, and use their own bottoms; and the independent growers of Jamaica were dependent upon the United Fruit Company for the disposal of their crop, and had to take whatever the United Fruit Company would offer.

Sir HENRY THORNTON: And that was what induced the Jamaica Government to go into this bargain.

Mr. McGIBBON: And it made bananas cheaper to the Canadian consumer.

Sir HENRY THORNTON: I should think so undoubtedly.

Mr. FRASER: I find in the Trade Return for the calendar year of 1930 the number of bananas imported into Canada via the United States decreased by 650,000 stems; and via our own vessels, that is from West Indies shipments, I presume, increased 640,000. Now the price of those that were imported to Canada via the United States cost us $1.67 a bunch; and those that were imported direct cost us 40 cents a bunch.

Mr. DUFF: Where do you get that?

Mr. FRASER: This is from the trade returns for 1930.

Sir HENRY THORNTON: The balance is probably rail haul and duty.

Mr. POWER: But that has no relation to what we are discussing at the present time. Bananas may be coming in from all parts of the United States into Canada. We are only discussing those coming in through the Atlantic gateway or the St. Lawrence route.

Mr. FRASER: I look upon that as something which should be credited to the West Indian service.

Sir HENRY THORNTON: There is not any doubt but that the establishment of the banana service did have the effect of materially reducing the cost to the Canadian consumer.

Hon. Mr. EULER: I think I understood you to say that you were negotiating with the United Fruit Company to carry their fruit on your boats and that the

Jamaican Government objected to that. Surely they cannot object if the Canadian boats carry the fruit of anybody else or of the United Fruit Company itself. I cannot understand the object of that objection.

Sir HENRY THORNTON: I though if we could come to some satisfactory understanding with the United Fruit Company, we could make an arrangement with the Canadian Government and, more particularly, with the Jamaican Government to permit us to do that. As we interpret the trade treaty, the Government of Jamaica can object to our handling the products of the United Fruit Company on our vessels.

Hon. Mr. MANION: That clause says "On representations being made by the respective Governments of Canada and Jamaica"—in other words they might take different ideas altogether, and where would you be supposing one insisted upon one thing and the other insisted upon a different thing?

Sir HENRY THORNTON: We cannot dictate to them. I cannot say. But we are trying to come to some arrangement which will commend itself to the Governments of both Canada and Jamaica, so as to enable us to handle the fruit of the United Fruit Company on our vessels. We have not presented this to the Canadian Government because we have not yet made the arrangement. We are going to try to convince the Jamaican Government that they really have nothing in particular to worry about, and that we will always take care of the independent fruit growers.

Hon. Mr. EULER: Is it not a fact that there will be room enough for the independent shippers?

Sir HENRY THORNTON: Undoubtedly.

Mr. HANSON: Sir Henry, you made the statement a little while ago that the price of bananas had been reduced since the entering into of this trade treaty and the establishment of the line of boats; and I think perhaps you inadvertently led the committee to think that that perhaps was due to a single factor. Might I call your attention to the fact that, as I understand the banana trade, the bananas are not sold when they are brought in here, but they are brought in here and auctioned.

Mr. ALLAN: The first year of the treaty, they were auctioned on arrival; but this year and last year they have dropped the auction and are selling them on the same basis as the United Fruit Company.

Mr. HANSON: You organized a fruit company, did you not, and built a big fruit warehouse at a cost of some $900,000?

Sir HENRY THORNTON: No, you are mistaken; we did not organize any fruit company.

Mr. HANSON: I understood that you organized the fruit company.

Sir HENRY THORNTON: No, we had nothing to do with it and have no money in it.

Mr. HANSON: You have built or are building a warehouse in Montreal, costing about $900,000, have you not?

Sir HENRY THORNTON: That includes the general fruit and vegetable trade, and includes fruit and vegetables from all over Ontario and all over the country. That is not for bananas at all, exclusively, but is for fruit and vegetables.

Mr. GEARY: You have a similar space in Toronto?

Sir HENRY THORNTON: Yes.

Mr. KENNEDY: And in Port Credit?

Sir HENRY THORNTON: For the handling of fruit and perishable commodities, you have to have special facilities.

Mr. HANSON: Is it not true that after the establishment of your line of steamers the United Fruit Company, which formerly had the whole of the banana trade with Canada, said that they did not intend to give that up without a struggle, and they established this line of boats to Saint John in co-operation with the Canadian Pacific Railway, which delivers their stuff in Western Canada, and that there has been the fiercest kind of competition between the independent producers in Jamaica and the United Fruit Company, which has caused the price of that fruit to fall.

Sir HENRY THORNTON: I think that is true, but if this company had not been established by the trade treaty we would not have had the competition.

Mr. HANSON: You have to have all the factors.

Mr. DUFF: I notice the cost of advertising is $88,000, instead of $32,000, as in 1929. Why the increase?

Sir HENRY THORNTON: It was the result of more intensive passenger solicitation for the West Indies route, Mr. Duff. We have gone after the passenger business as hard as we knew how. That is really a result of a more intensive passenger solicitation.

Mr. POWER: That cost you $50,000 more, and you got $50,000 more from passenger traffic?

Sir HENRY THORNTON: And having established that position, we probably will not have to spend that much money next year.

Mr. CANTLEY: And every passenger who goes down to the West Indies will be an advertiser for the route when he comes back.

Mr. HANSON: I have some figures here from the Bureau of Statistics with regard to the trade of Canada with the British West Indies, and having regard to the prognostications made in the House of Commons at the time this treaty was promoted, they are very illuminating. I would like to have this memorandum in and put upon the record. If this committee is in agreement, I will read it.

DOMINION BUREAU OF STATISTICS

EXTERNAL TRADE BRANCH

Memorandum Showing—
(1) Total Trade of Canada with the British West India Colonies
(Years ended March 31, 1930 and 1931)

Colonies	Imports into Canada from		Domestic Exports from Canada to	
	1930	1931	1930	1931
	$	$	$	$
Bermuda	93,460	297,004	2,287,280	2,492,260
British Guiana	3,982,493	4,288,157	1,661,332	1,139,915
British Honduras	340,577	207,186	892,518	1,742,464
British West Indies—				
Barbados	4,675,158	4,264,508	1,324,569	1,118,603
Jamaica	5,194,973	4,792,599	5,138,757	3,749,394
Trinidad and Tobago	2,590,157	2,321,007	3,998,197	3,286,070
Other Br. West Indies	1,210,625	2,571,816	4,567,639	4,273,905
Total Trade	18,078,443	18,742,277	19,870,292	17,802,611

(2) Total Trade of Canada with the British West India Colonies via the United States
(Year ended March 31, 1930)

—	Imports via U.S.		Exports via U.S.	
	Amount	% of Total	Amount	% of Total
	$	%	$	%
Bermuda	537	0·57	90,308	3·93
British Guiana	...	...	139,558	8·37
British Honduras	141,517	41·56	9,670	1·08
British West Indies—				
Barbados	...	...	75,600	5·66
Jamaica	3,426	0·06	1,529,524	29·76
Trinidad and Tobago	...	...	672,576	16·81
Other Br. West Indies	11,021	0·91	280,142	6·13
Total Br. West Indies	14,447	0·11	2,557,842	17·02
Total Br. West India Colonies	156,501	0·86	2,797,378	14·07

(3) Total Trade of the United States with the British West India Colonies
(Year ended December 31, 1930)

—	Imports from		Exports to	
	1929	1930	1929	1930
	$	$	$	$
Bermuda	773,456	659,103	4,000,140	4,697,803
British Guiana	829,595	738,913	1,099,329	1,044,544
British Honduras	3,335,603	2,682,148	1,893,156	1,653,112
British West Indies—				
Barbados	493,353	498,868	1,387,633	1,358,010
Jamaica	7,528,409	7,763,229	9,131,010	8,374,166
Trinidad and Tobago	10,823,322	8,373,886	6,735,923	6,239,438
Other Br. West Indies	2,404,984	1,659,774	6,002,149	4,704,522
Total Trade	26,188,722	22,375,921	30,249,340	28,071,595

Mr. HANBURY: A drop in exports means less purchasing power. Because we are getting bananas more cheaply, the growers have less purchasing power.

Mr. HANSON: There was a drop of about $2,000,000 in the domestic exports from Canada in 1931 to the British West Indian Colonies.

Mr. BOTHWELL: I think it would be a good idea to take the whole committee down to the West Indies on a trip.

Sir HENRY THORNTON: I think that motion is carried.

Mr. HANSON: I would ask to have this sheet put in the minutes.

Mr. DUFF: I will second that.

Hon. MEMBERS: Carried.

Mr. HANSON: There is no doubt about it that Canada made the most expensive agreement with the British West Indies, and these figures tell the story.

Mr. MCGIBBON: But that has saved the Maritime Provinces.

Mr. EULER: Mr. Chairman, I again move the adoption of the report.

Mr. DUFF: I second Mr. Euler's motion.

Carried.

Mr. FRASER: Mr. Chairman, before you close up, I want to ask one question. I made a request yesterday for the revenue and expenditure in connection with the tri-city, if you like to call it such, service of the Canadian National Steamships between the three cities on the Coast, Vancouver, Victoria and Seattle. The reply which I got was that it was a pretty difficult matter, as I understood it,—I have not seen the record—to segregate those expenses and revenues. I would like to ask the President of the road if it would not be possible to file with the committee a detailed statement of the services.

Mr. Chairman, I know perfectly well I am out of order, because the thing is passed.

The CHAIRMAN: As far as I am concerned, I told you that would not be opened again. Sir Henry Thornton was good enough to say that any question which any one asked would be answered. I look to him to carry out his promise.

Sir HENRY THORNTON: We have a detailed statement here, Mr. Fraser, and I think if you loo kthis over, and take a copy of it, if you like, that that will give you the information you want. Might I ask you if, after the meeting is over, you would look it over and see if that is satisfactory?

Mr. DUFF: Do you want to have it on the record?

Mr. FRASER: Yes, I would like it on the record because when we are discussing this in the House, it might be helpful.

CANADIAN NATIONAL STEAMSHIPS (PACIFIC)

INCOME STATEMENT—YEAR 1930

—	Operation of Vessels						Operation of Docks				Grand Total
	Vancouver, Prince Rupert, Anyox, Stewart and Ketchikan	Vancouver and Alaska	Vancouver, Prince Rupert, Queen Charlotte Islands	Tri-City Service	Special Excursions	Total	Seattle	Victoria	Vancouver	Total	
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
REVENUE—											
Freight	145,457 10	35,352 07	102,967 10	7,905 53	....	291,681 80	....	....	....	....	291,681 80
Passenger	280,539 57	289,548 65	79,915 26	82,940 63	17,070 54	751,014 65	....	....	....	....	751,014 65
Rail	12,300 00	1,500 00	30,650 00	....	....	44,450 00	....	....	....	....	44,450 00
Rents of Buildings and Other Property	....	....	....	....	....	....	42,079 50	1,790 00	11,552 41	55,421 91	55,421 91
Miscellaneous	13,575 85	13,329 09	4,370 45	30,501 42	....	61,776 81	1,204 65	1,695 53	13,599 66	16,499 84	78,276 65
Total Revenue	451,872 52	339,729 81	217,902 81	121,347 58	18,070 54	1,148,923 26	43,284 15	3,485 53	25,152 07	71,921 75	1,220,845 01
EXPENSES—											
Maintenance of Equipment	89,401 58	42,895 32	43,890 20	28,120 09	1,178 67	205,485 86	....	....	....	....	205,485 86
Maintenance of Terminals	....	....	....	....	....	....	21,690 31	57,050 29	50,461 99	129,202 59	129,202 59
Traffic Expenses	19,123 20	23,421 98	5,562 22	11,804 26	832 37	60,747 02	....	....	....	....	60,747 02
Transportation Expenses (Operation of Vessels)	325,229 25	153,141 52	161,595 65	181,757 20	6,675 46	828,399 08	....	....	....	....	828,399 08
Transportation Expenses (Operation of Terminals)	39,865 82	8,770 48	27,906 07	3,189 27	....	79,731 64	15,264 52	5,846 72	37,866 04	58,977 28	128,708 92
Incidental Expenses	4,293 44	1,222 03	728 93	575 88	4 15	6,824 43	82 44	....	111 30	193 74	7,018 17
General Expenses	81,369 38	50,967 28	39,153 52	53,280 21	1,561 87	226,332 26	4,530 22	2,200 64	3,974 50	10,705 36	237,037 62
Total Expenses	559,282 67	280,421 61	278,836 59	278,726 90	10,252 52	1,407,520 29	41,567 49	65,097 65	92,413 83	199,078 97	1,606,599 26
Net Revenue	*107,410 15*	59,308 20	*60,993 78*	*157,379 32*	7,818 02	*258,597 03*	1,716 66	*61,612 12*	*67,261 76*	*127,157 22*	*385,754 25*
Tax Accruals	268 90	142 56	171 56	92 02	6 03	681 07	12,710 47	3,846 33	13,969 05	30,525 85	31,206 92
Operating Income	*107,679 06*	59,165 64	*61,105 34*	*157,471 34*	7,811 99	*259,278 10*	*10,993 81*	*65,458 45*	*81,230 81*	*157,683 07*	*416,961 17*
NON-OPERATING INCOME—											
Miscellaneous Rent	....	....	....	....	....	....	....	1,315 00	....	1,315 00	1,315 00
Income from Unfunded Securities and Accounts	694 15	500 15	334 75	208 16	27 76	1,764 97	....	....	....	....	1,764 97
Gross Income	*106,984 90*	59,665 79	*60,770 59*	*157,263 18*	7,839 75	*257,513 13*	*10,993 81*	*64,143 45*	*81,230 81*	*156,308 07*	*413,881 20*
DEDUCTIONS FROM GROSS INCOME—											
Miscellaneous Rents	....	....	....	....	....	....	25,397 83	....	25,182 92	50,580 75	50,580 75
Net Income	*106,984 90*	59,665 79	*60,770 59*	*157,263 18*	7,839 75	*257,513 13*	*36,391 64*	*64,143 45*	*106,413 73*	*206,948 82*	*464,461 95*
Profit and Loss Account	....	....	....	....	....	....	....	....	24,102 90	24,102 90	24,102 90
Net Profit or *Loss*	*106,984 90*	59,665 79	*60,770 59*	*157,263 18*	7,839 75	*257,513 13*	*36,391 64*	*64,143 45*	*82,310 83*	*182,845 92*	*440,359 05*
Interest at 5% per annum	44,894 84	39,191 20	27,084 76	64,001 11	6,101 11	181,273 02	....	....	....	....	....
Depreciation at 3% per annum	26,936 89	22,514 34	16,250 85	39,400 35	3,660 59	108,763 02	....	....	....	....	....
Deficit	*178,816 63*	*2,039 75*	*104,106 20*	*260,664 64*	*1,921 95*	*547,549 17*	....	....	....	....	....

Mr. HANBURY: Mr. Chairman, I would like to suggest to the officials of the Canadian Government Merchant Marine and the West Indies service that at the next meeting, which will be next year, they provide us with figures showing the several commodities, both imported and exported, on these services, if it is possible to get this information. I think that information would be very valuable.

The CHAIRMAN: I do not think any information of that kind appears on the manifests.

Mr. MCLAREN: That is strictly a matter between the shipper and the importer, and that is secret information which is only disclosed to the customs, and comes out afterwards in the report; but the company would not disclose their customers or the goods which they ship.

The CHAIRMAN: I find it very difficult information to get from any steamship line.

Mr. DUFF: Do we have to have a resolution adopting these estimates?

Hon. Mr. MANION: That would be in our report.

Mr. DUFF: Then I move that the estimates of the Canadian National Steamships and the Canadian Government Merchant Marine, amounting to $1,343,500, be approved.

The CHAIRMAN: Would you mind including in that motion the three estimates, the estimates of the Canadian National Steamships, the Maritime Freight Rates Act, and the Canadian Government Merchant Marine.

Mr. DUFF: No, just the two, sir.

Hon. Mr. MANION: On the other side is the Maritime Freight Act estimates?

Mr. DUFF: Is not that statutory?

Mr. POWER: That has to come before the House for discussion.

Mr. DUFF: I move that those two items, $588,500 to the Canadian Government Merchant Marine, Limited, and the $755,000 to the Canadian National (West Indies) Steamships, Limited, be approved by the committee and recommended to Parliament.

The CHAIRMAN: They are items 381, 382, 379 and 380.

Mr. DUFF: No, I think there are only two items.

Hon. Mr. MANION: I am informed by the officials here that they were all passed last year.

Mr. GEARY: Those are estimates of deficits to be provided.

Mr. DUFF: Yes, I am right, Mr. Chairman. We do not deal with the Maritime freight rates.

Hon. Mr. MANION: The officers claim that we did last year.

Mr. SMART: This is the reference from the House:

> Ordered,—That the Estimates respecting the Canadian National Steamships and the Maritime Freight Rates Act, presented to the House on the 13th April, be referred to the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, and that the Order referring the same to the Committee of Supply be discharged.

Mr. GEARY: I do not think they are ever referred to us to report and approve.

Mr. SMART: Whatever is referred to the committee would have to be reported back.

Hon. Mr. MANION: The officials can make out the resolution in the proper form?

Mr. DUFF: Yes. Is there anything else, Mr. Chairman.

Mr. GEARY: Does Mr. Power move the Maritime freight rates?

Mr. POWER: I do not. Mr. Chairman, when will you have the report ready for our consideration?

Mr. HANSON: I think it would be wise to have a small sub-committee appointed to draft the report.

Mr. POWER: No, let the chairman work, and whatever he submits we can tear to pieces.

The CHAIRMAN: As far as I am concerned, I would sooner appoint a committee for the purpose. However, I will have a draft made, and some day next week we will call the committee together, as early as possible, and submit the draft report to them for their approval.

We will call the meeting in the usual way, and you will all receive notice.

The committee was adjourned sine die, to the call of chair.

SESSION 1931

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

No. 11

CONTAINING REPORTS OF THE COMMITTEE

With Orders of Reference, Index to Witnesses, and Supplementary Statement.

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1931

MEMBERS OF THE COMMITTEE

HON. JAMES DEW CHAPLIN, *Chairman*

and Messieurs

Beaubien,
Bell *(St. Antoine)*,
Bothwell,
Cantley,
Duff,
Euler,
Fiset *(Sir Eugène)*,
Fraser *(Cariboo)*,
Geary,
Gobeil,
Gray,
Hanbury,
Hanson *(York-Sunbury)*,
Heaps,
Kennedy *(Peace River)*,
McGibbon,
MacMillan *(Saskatoon)*,
Manion,
Power,
Rogers,
Stewart *(Lethbridge)*.

JOHN T. DUN,
Clerk of the Committee.

and

E. L. MORRIS,
Acting Clerk of the Committee.

ORDERS OF REFERENCE

HOUSE OF COMMONS,
THURSDAY, May 14, 1931.

Resolved,—That Standing Order 63 of the House of Commons, relating to the appointment of the Select Standing Committees of the House, be amended by adding to the Select Standing Committees of the House for the present session a Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, to which will be referred the accounts and the estimates of the Canadian National Railways and the Canadian Government Merchant Marine for the present session, for consideration and report to the House.

Provided, however, that nothing in this resolution shall be construed to curtail in any way the full right of discussion in Committee of Supply, and that the said Committee consist of Messrs. Beaubien, Bell (*St. Antoine*), Bothwell, Cantley, Chaplin, Duff, Euler, Fiset (Sir Eugène), Fraser (*Cariboo*), Geary, Gobeil, Gray, Hanbury, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Manion, Power, Rogers, Stewart (*Lethbridge*).

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

Ordered,—That the said Committee be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

FRIDAY, June 5, 1931.

Ordered,—That the said Committee be given leave to sit while the House is sitting.

That 500 copies of proceedings and evidence which may be taken by the said Committee be printed from day to day, as required, and that Standing Order 64 be suspended in relation thereto.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

ORDERS OF REFERENCE—*Continued*

WEDNESDAY, June 10, 1931.

Ordered,—That the following Bills be referred to the said Committee:—

Bill No. 79, An Act respecting the Canadian National Railways and to authorize the provision of moneys to meet expenditures made and indebtedness incurred during the calendar year 1931.

Bill No. 83, An Act respecting the Canadian National Railways and to authorize the guarantee by His Majesty of securities to be issued under the Canadian National Railways Financing Act, 1931.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

WEDNESDAY, June 24, 1931.

Ordered,—That the Estimates respecting the Canadian National Steamships and the Maritime Freight Rates Act, presented to the House on the 13th April, be referred to the Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, and that the Order referring the same to the Committee of Supply be discharged.

Attest.

(Sgd.) T. M. FRASER,
For Clerk of the House.

REPORTS OF THE COMMITTEE

FIRST REPORT

FRIDAY, June 5, 1931.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government beg leave to present the following as a First Report.

Your Committee recommend:—

1. That your Committee be given leave to sit while the House is sitting.
2. That 500 copies of proceedings and evidence which may be taken by your Committee be printed from day to day, as required, and that Standing Order No. 64 be suspended in relation thereto.

All of which is respectfully submitted.

J. D. CHAPLIN,
Chairman.

Concurred in by the House, June 5, 1931.

SECOND REPORT

WEDNESDAY, June 25, 1931.

The Select Standing Committee on Railways and Shipping, owned, operated and controlled by the Government, beg leave to present the following as their second report.

Your Committee have had under consideration the following Bills, and have agreed to report the said Bills without amendments, viz:—

Bill No. 79, An Act respecting the Canadian National Railways and to authorize the provision of moneys to meet expenditures made and indebtedness incurred during the calendar year 1931; and

Bill No. 83, An Act respecting the Canadian National Railways and to authorize the guarantee by His Majesty of securities to be issued under the Canadian National Railways Financing Act, 1931.

All of which is respectfully submitted.

J. D. CHAPLIN,
Chairman.

LIST OF WITNESSES, OFFICIAL POSITION, PAGES WHERE EVIDENCE IS FOUND

Sir Henry Thornton, K.B.E., President of the Canadian National Railways, 1 to 300.

Mr. W. S. Fairweather, Director, Bureau of Economics, Canadian National Railways, 38, 40-41, 47, 55-56, 58, 72-74, 84-85, 89-92, 120, 122, 126-29, 139-41, 145-47, 151-57, 163-66, 170, 198, 213-16, 220-21, 227, 237, 239-42, 248-49, 267, 271, 285-86.

Mr. S. J. Hungerford, Vice-President, Operation and Construction Department, Canadian National Railways, 122, 149, 213, 225-26, 250.

Mr. J. B. McLaren, Comptroller, Finance Department, Canadian National Railways, 33, 34, 56, 137, 142, 151, 152, 170 197, 204, 236, 247, 261-62, 271, 275, 279, 286, 288, 291, 298.

Mr. T. H. Cooper, Assistant Comptroller, Finance Department, Canadian National Railways, 171.

Mr. R. C. Vaughan, Vice-President, Purchasing and Stores Department, Canadian National Railways, 48-49, 51, 54-55, 77-78, 124-25, 126-27, 144-45.

Mr. D. E. Galloway, Assistant Vice-President, Canadian National Railways, 52, 54, 87, 239, 242-43, 245.

Mr. R. L. Burnap, *Vice-President*, Traffic Department, Canadian National Railways, 63 65, 66, 68, 73, 74, 88-89, 118, 142.

Mr. D. C. Grant, Vice-President, Finance Department, Canadian National Railways, 158-161, 170-71, 193-94, 196-97, 201.

Dr. W. J. Black, Director of Colonization, Canadian National Railways, 138, 139.

Mr. C. S. Gzowski, Chief Engineer, Construction Department, Canadian National Railways, 180, 203-211, 245.

Mr. C. P. Brown, Chief Engineer, Operation Department, Canadian National Railways, 216-220.

Mr. R. B. Teakle, Vice-President, Canadian National Steamships, 259, 266, 269-274, 283-84, 289.

Mr. A. H. Allan, General Manager, Canadian National Steamships, 293.

Mr. B. J. Roberts, Department of Finance, Ottawa, 196, 263, 280-81.

Mr. J. E. Labelle, K.C., Director, 217.

APPENDIX TO REPORT

Statement supplied by the Canadian National Railways showing cash loans and Guarantees from Dominion Government from April 1, 1919, to December 31, 1930, last page.

RAILWAYS AND SHIPPING THIRD AND FINAL REPORT

House of Commons, Canada,
Thursday, July 16, 1931.

The Select Standing Committee on Railways and Shipping, owned, operated and controlled by the Government, beg leave to present the following as their Third and Final Report.

Your Committee, to whom was referred for consideration and for report to the House the estimates on the Canadian National Steamships and Maritime Freight Rates Act, the Canadian Government Merchant Marine, the Canadian National (West Indies) Services, and the Maritime Freight Rates Act requirements, held thirteen meetings in the course of which they examined sundry witnesses, including:—

Sir Henry Thornton, K.B.E., Chairman of the Board and President, C.N.R.;

V. I. Smart, Deputy Minister of Railways and Canals;

J. E. Labelle, Director, C.N.R.;

S. J. Hungerford, Vice-President; Operation and Construction Departments, C.N.R.;

D. C. Grant, Vice-President, Finance Department, C.N.R.;

R. C. Vaughan, Vice-President, Purchases and Stores Department, C.N.R.;

R. L. Burnap, Vice-President, Traffic Dept., C.N.R.;

D. E. Galloway, Assistant Vice-President, C.N.R.;

S. W. Fairweather, Director, Bureau of Economics, C.N.R.;

J. B. McLaren, Comptroller, C.N.R.;

T. H. Cooper, Assistant Comptroller, C.N.R.;

C. B. Brown, Chief Engineer of Operation, C.N.R.;

C. S. Gzowski, Chief Engineer of Construction, C.N.R.;

Dr. W. J. Black, Director of Colonization, C.N.R.;

B. J. Roberts, Comptroller of Government Guarantee Branch, Department of Finance;

R. B. Teakle, Vice-President, C.N.S.S.;

A. H. Allan, General Manager, C.N.S.S.

CANADIAN NATIONAL RAILWAYS

Bill 79

Your Committee have had under consideration Bill 79 "An Act respecting the Canadian National Railways and to authorize the expenditures made and indebtedness incurred during the calendar year 1931" amounting to $68,500,000 and have agreed to report the same without amendment.

Bill 83

Your Committee have also had under consideration Bill 83, "An Act respecting the Canadian National Railways and to authorize the guarantee by His Majesty of securities to be issued under the Canadian National Railways Financing Act, 1931", and beg leave to report the same without amendment.

The Committee have considered the general report of last year's operations of the railway made by Sir Henry Thornton as President of the Company and Chairman of the Board of Directors and were particularly interested in his expressed intention to reduce the expenditures on capital account and wherever possible on operation and maintenance. Your Committee heartily approve of such proposed action and recommend that for the present projects entailing capital expenditure be curtailed as far as possible.

Your Committee desire to call the attention of the House to the proposal made by Sir Henry Thornton at one of the sessions of the Committee. He referred to the serious position of the transportation business generally and recommended that a commission be appointed for the purpose of considering the whole question of Canadian Transportation. Your Committee regard such a recommendation coming from such a source at this time as worthy of the serious consideration of the government.

Canadian Government Merchant Marine

Your Committee have had under consideration Item 379 of the estimates—loan to the Canadian Government Merchant Marine, Limited, to be applied in payment of deficits in operation of the Company and of the vessels under the Company's control during the year ending December 31st, 1931, amounting in all to $588,500.

Your Committee also reviewed the balance sheet of the Company and are of the opinion that the amount of $588,500 included under Item 379 of the estimates, is required for the purposes of the Company and should be granted by this House.

Your Committee believe that the time has come when the Government should very carefully consider the abandonment of the Canadian Government Merchant Marine, and the making of arrangements with other shipping companies so that the external trade of Canada will not be jeopardized. In this respect we wish to point out that the total original cost of this enterprise which was undertaken solely as a result of the exigencies of the war was approximately $80,000,000.

After almost ten years of operation there has not been a single year in which an operating profit has been shown by the Merchant Marine.

Throughout the whole period, a deficit of over $57,000,000 has accumulated, including depreciation on ships sold and interest due the Government, but does not include accrued depreciation on vessels remaining in the fleet, which depreciation amounts to more than $17,000,000 in addition. Your Committee has been informed that the ships are for the most part obsolete and only part of the fleet is now in operation.

Canadian National (West Indies) Services

Your Committee have had under consideration Item 380, loan to the Canadian National (West Indies) Steamships, Limited, whose steamships provide the services called for by the West Indies Trade Agreement.

Your Committee note that the operations for the year ending December 31st, 1930, resulted in an operating loss of $523,136.98, which is partly offset by the fact that previously a subsidy equal to $380,000 per annum was paid to a private company by the Dominion Government for a similar service.

Your Committee further believe that the steamship service established on the Pacific Coast and known as the Triangular Service between Vancouver, Seattle and Victoria, should not have been established as it does not earn its operating expenses. We, therefore, recommend that serious consideration be given to immediate action looking toward the elimination of this loss.

Maritime Freight Rates Act

Your Committee have also had under consideration Item 382 of the estimates, to provide for the payment to the Canadian National Railway Company as required by the Maritime Freight Rates Act, of the deficit incurred during 1931 on Eastern Lines, the amount of the estimated deficit being $6,631,856, and in addition the sum of $2,450,632, representing the estimated amount by which the revenues of the Eastern Lines will be lessened during the coming year by the reduced rates granted under the Maritime Freight Rates Act in accordance with the recommendations of the Duncan Commission.

By reason of the special considerations involved in the Maritime railway situation, with which the House is familiar, your Committee are of the opinion that these amounts are necessary to give effect to the Maritime Freight Rates Act in the operation of the Eastern Lines.

Your Committee have also had under consideration Item 381, to provide the sum of $900,000 from which privately owned railways operating in territory covered by the Maritime Freight Rates Act shall be reimbursed the difference between normal tolls and special tolls provided by that Act. Your Committee are of the opinion that this amount is necessary to implement the provisions of the Act in that regard and should be granted by this House.

Certain questions relating to the salaries and emoluments paid to executive officers of the Company were asked by members of the Committee, and were by Resolution of the Committee submitted to a sub-committee for consideration. The report of the sub-committee has been received accompanied by a statement from the President of all salaries of $15,000 per annum and over, together with the names of the officials receiving them. The President, Sir Henry Thornton has expressed the opinion that it is not in the best interests of the Railway that the list of such salaries and the names of the recipients be published.

Your Committee while of opinion that many of the salaries are much too generous, and in some instances excessive, accede to the expressed wish of the President that the list be not published for the reasons given by him.

Your Committee, however, are of opinion that the salary of the President stands on a different footing as he has a term Contract calling for the payment of $75,000 per annum from the National Railways and all its subsidiaries, besides legitimate out-of-pocket expenses, which was negotiated by the previous Government and approved by Order in Council. Therefore, to all intents and purposes the salary of the President is a matter of contract with the Dominion of Canada and is a public document.

Your Committee also are informed that in addition to the contractual salary of the President above referred to, he is, with the approval of the former Board of Directors, in receipt of other substantial amounts in the form of salary and emoluments, which he receives in addition to his contractual salary.

It has also come to the knowledge of your Committee that the late Board of Directors in the year 1929 passed a Resolution recommending the payment of an Annuity of $30,000 per annum for life to Sir Henry Thornton, if his services to the Railway should at any time be terminated. Your Committee are of opinion that such Resolution was unnecessary and should be rescinded forthwith. If later on the services of Sir Henry Thornton are discontinued and his contract terminated, the matter of a retiring allowance may then be discussed on its merits, by the Directors and the Government.

In view of the decreased revenues of the Company, and the economies being made in other branches of the service, your Committee are of opinion that the Executive Committee of the Board of Directors should immediately consider the whole question of salaries, allowances, disbursements, pensions and retirement provisions for executive officers and officials of the Company, receiving salaries of $5,000 and over in order that every reasonable and proper economy should be effected.

Your Committee recommend that immediate action be taken in these matters and a report be made to the Select Standing Committee on Railways and Shipping, owned, operated and controlled by the Government, at the next Session of Parliament.

Your Committee strongly condemn the practice which has grown up under which the National Railways are chargeable with large amounts for payment for the Social Entertainment and other activities of officials on other than official business. Your Committee recommend that this practice should be discontinued forthwith. Expenditures for such purposes are in the opinion of your Committee, wrong in principle and practice, and should never have been permitted.

When it is necessary in the interest of the business of the Railway that moneys should be expended chargeable to the Railway for entertainment then it should be approved by the Executive Committee.

In reporting the result of the conferences of the Committee with the President and officials of the railway, your Committee would draw the attention of Parliament to the magnitude of the task which was referred to them by the House. In the opinion of your Committee, it is a practical impossibility to conduct an exhaustive enquiry into the affairs and management of the Canadian National Railways and Mercantile Marine within the time at the disposal of the Committee. The result of the partial investigation conducted by the Committee is by no means adequate, complete or satisfactory. Full justice cannot be done in respect of an undertaking of so great magnitude without much greater time than the Committee had at their disposal. The Committee desire to emphasize this phase of the matter to the House, and recommend that in order that the operations of the Company be fully scrutinized, a thorough audit by an independent auditor, appointed by the Government should be made from time to time of all such matters and accounts as may be designated by the Minister and report to him.

Your Committee are glad to record that all the Members present as hereinafter stated are unanimous in the foregoing report, namely:—

Hon. R. J. Manion, Minister of Railways, Canals and Telegraph Lines,
Hon. J. D. Chaplin, Chairman,
Hon. Robert Rogers,
Hon. W. D. Euler, and

Messrs.:

Beaubien,
Bell *(St. Antoine)*,
Bothwell,
Cantley,
Duff,
Fiset (Sir Eugène),
Fraser *(Cariboo)*,
Gobeil,
Gray,
Hanbury,
Hanson *(York-Sunbury)*,
Heaps,
Kennedy *(Peace River)*,
McGibbon,
MacMillan *(Saskatoon)*,
Power, and
Stewart *(Lethbridge)*.

Your Committee append hereto a copy of the proceedings and evidence adduced before your Committee, for the information of the House, and recommend that the same, together with this report, be printed as an Appendix to the Journals of the House.

All of which is respectfully submitted.

J. D. CHAPLIN,
Chairman.

CANADIAN NATIONAL RAILWAYS

CASH LOANS AND GUARANTEES FROM DOMINION GOVERNMENT FROM APRIL 1, 1919, TO DECEMBER 31, 1930

CASH LOANS

April 1, 1919, to March 31, 1923..	$389,743,789 34
April 1, 1923, to December 31, 1930..	57,482,652 91
	$447,226,442 25

GUARANTEED BOND ISSUES

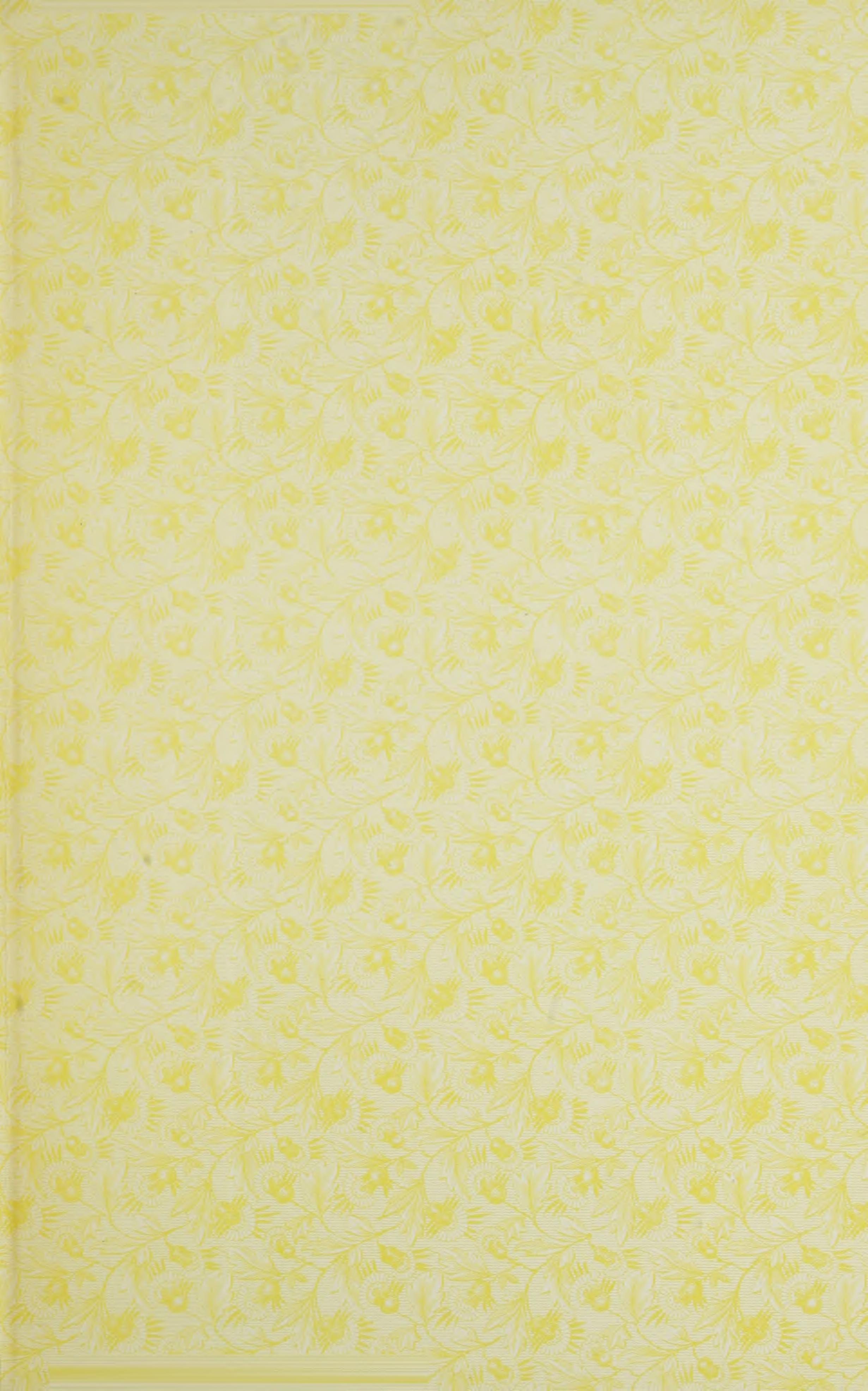
	Gross	Retirements	Net
April 1, 1919, to March 31, 1923..	$128,109,027 00	$11,573,027 00	$116,536,000 00
April 1, 1923, to December 31, 1930.. ..	441,500,000 00	65,500,000 00	376,000,000 00
	$569,609,027 00	$77,073,027 00	$492,536,000 00

Note 1.—In addition to the new securities issued as above under Act 10, George V, Chapter 17 (assented to November 10, 1919) the Government guaranteed the interest in perpetuity on Grand Trunk Railway Guaranteed and Debenture Stocks then outstanding having a par value of $216,207,141.67, and

Note 2.—Under Act 17, George V, Chapter 27 (assented to March 31, 1927) the Government guaranteed the principal and interest on $34,927,098.20 2 per cent Canadian National Guaranteed Debenture Stock to be issued in exchange for a like amount of Grand Trunk Pacific Railway 4 per cent Perpetual Debenture Stock. $4,367,984.20 has since been retired, leaving $30,559,114 outstanding at December 31, 1930.

The total increase in guarantees outstanding therefore is:—

1919-1923	1923-1930
$116,536,000 00	$376,000 000 00
216,207,141 67	30,559,114 00
$332,743,141 67	$406,559,114 00



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